61ST
ANNUAL
REPORT

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive
Annual
Financial
Report

KCPERS
Kansas City Police Employees' Retirement Systems

May 1, 2006 to
April 30, 2007

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2006 to April 30, 2007

61st Annual Report

Prepared by:
Kansas City Police Employees' Retirement Systems
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KCPERS

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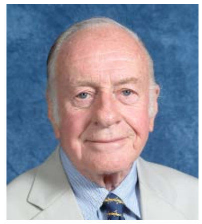
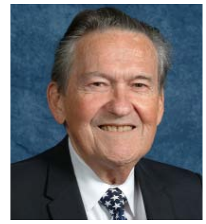
Retirement Board

Police Retirement System of Kansas City, Missouri

Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department



Robert W. Evans Sr.,
Vice-Chairman
Appointed Member



Robert E. Turgeon,
Treasurer
Appointed Member

Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department

Victor A. Kauzlarich
(Ret.) Major
Kansas City, Missouri
Police Department

Gregory P. Mills
(Ret.) Major
Kansas City, Missouri
Police Department

David E. Reyburn
Detective
Kansas City, Missouri
Police Department

Bailus M. Tate
Appointed Member

Angela Wasson-Hunt
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator

Connie Davis
Administrative
Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager
& Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

1328 Agnes • Kansas City, Missouri 64127
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September 28, 2007

Retirement Systems Board
Police Retirement System of Kansas City, Missouri
1328 Agnes
Kansas City, Missouri 64127

Dear Board Members:

It is with great pleasure that I submit the fiscal year 2007 comprehensive annual financial report of the Police Retirement System of Kansas City, Missouri.

Fiscal Year 2007 Projects

Membership Survey – For the first time in over ten years the Retirement Board conducted a membership survey to measure member's satisfaction with the operations and benefits of the Police Retirement System. The results of the survey, which were very positive, were included in the strategic planning process to help set the agenda for staff for the coming year. Over 75% of those who responded were very satisfied or satisfied with their retirement benefits, over 78% were very satisfied or satisfied with programs and services provided by the retirement systems, and over 80% were very satisfied or satisfied with the information and communications provided by the retirement systems. Members were most interested in seeing changes: to pension benefits, cost of living adjustments, the supplemental benefit. Some members also requested more research on equitable alternatives for single member benefits. The survey results indicated a need for more frequent information from the Police Retirement System through the KCPERS Newsletter and e-mail messages. Members also wanted greater access to Retirement Board members and staff at times and locations that are convenient to the membership.

Legislative Changes – House Bill 1138 and Senate Bill 830 became effective in August 2006 and provided creditable service in the Police Retirement System, under certain conditions, for members on a military leave of absence from the Police Department.

House Bill 172 and Senate Bill 406 became effective in August 2007 and allow the Retirement Board, under certain conditions, to provide an equalizing supplemental benefit, starting at $10 per month, to members of the Police Retirement System who retired prior to August 28, 2000 with 25 or more years of service or who retired prior to August 28, 2001 on a duty or non-duty disability. Surviving spouses of members entitled to benefits under the provisions of HB 172 and SB 406 are also eligible for the equalizing supplemental benefit.

The Pension Protection Act of 2006 has certain provisions applicable to public safety officers. Under this new federal law, the age at which early withdrawal penalties apply to lump sum payments upon separation from service was lowered from 55 to 50. The Pension Protection Act also provides an exclusion from gross income, up to $3,000, to certain retired public safety officers when qualified health insurance premiums are deducted directly from their pension distributions. An explanation of this new law and an election form to participate was mailed to eligible members in February 2007.

Change in Actuarial Firm – Milliman, Inc. was hired in April 2007 as KCPERS actuarial firm replacing Gabriel, Roeder, Smith & Company (GRS). The change in actuarial firms was part of the normal bid process we perform every five years for actuarial services. Prior to the change there were no disagreements between the Retirement Board and GRS on any actuarial issues.

Contents of the Annual Report

The financial information in this report is the responsibility of the management of the Police Retirement System of Kansas City, Missouri. The report is designed to comply with the reporting requirements of sections 86.960 and 105.661 RSMo.

The Police Retirement System of Kansas City was created in 1946 by the Missouri General Assembly to provide retirement and disability benefits for law enforcement members of the Kansas City, Missouri Police Department and survivor benefits for their spouses and children. A nine member Board of Trustees, made up of elected and appointed members, governs the Police Retirement System.

Financial Information

The Police Retirement System is responsible for establishing and maintaining internal controls, which we believe exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The financial statements are prepared using generally accepted accounting principals. Our outside independent auditors, BKD, have audited the financial statements, which are prepared using accrual basis accounting, and reports are produced in a format that complies with the Governmental Accounting Standards Board. The unqualified opinion letter from BKD can be found in the Financial Section of this report.

The following schedule is a summary of the pension fund additions and deductions for the years ended April 30, 2007 and April 30, 2006.

	April 30, 2007	April 30, 2006
Additions	$106,070,999	$128,828,995
Deductions	43,503,803	40,396,756
Net Change	$62,567,196	$88,432,239

Additions include contributions from both members and the city, and gains or losses from investments. Deductions include benefits paid to members, refunds of contributions and administrative expenses. From FY 2006 to FY 2007 additions decreased by $22,757,996; investment gains decreased by $23,897,144 and contributions from both members and the city increased by $1,139,148. From FY 2006 to FY 2007 deductions increased by $3,107,047; benefits paid increased by $2,849,392, refunds of contributions increased by $237,548 and administrative expenses increased by $20,107. Please review Management's Discussion and Analysis which can be found on pages 15 through 18 for a further explanation of the changes in our financial position and the steps taken by the board of trustees during the fiscal year to add value to the portfolio, reduce risk, and increase our funded ratio.

For the actuarial valuation dated April 30, 2007, the funded ratio of valuation assets to liabilities of the Police Retirement System, which covers 2,592 members, increased by 4% to 86%. The increase in the funded ratio is mainly due to investment performance during the year and lower than expected liabilities. Member contributions remain at 10.55% while employer contributions remain at 19.7% of payroll. The employer contribution rate is below the annual required contribution rate of 29.00% for the fiscal year beginning May 1, 2007.

Investment Activity

The Retirement System's investment portfolio produced a total return of 12.96% for the year ending April 30, 2007. The policy benchmark return for the year was 11.87%, which means our investment plan resulted in a 1.09% gain versus the markets. The out performance to the benchmark came from our large cap value stocks, small cap growth stocks and our real estate portfolio. All of our managers made money on an absolute basis. LSV Asset Management, one of our large cap value managers, out performed the Russell 1000 Value benchmark by 1.6%, while Vontobel, our other large cap value manager, out performed the S&P 500 index by 1.5%. Waddell & Reed, our small cap growth manager, out performed the Russell 2000 Growth benchmark by 1.4%. Prudential, our real estate manager, out performed the NCREIF Property benchmark by 3.4%. Systematic, our small cap value manager, under performed the Russell 2000 Value benchmark by 1.7%.

This past year we continued to complete portfolio reviews with fund managers during presentations at monthly board meetings. We also met with the entire investment teams of GE Asset Management and JP Morgan Private Equity during their respective client conferences. Staff from GE Asset Management and LSV Asset Management made presentations to the Retirement Board on their Emerging Market funds.

Once every three years the Retirement Board reviews the asset allocation mix and with assistance from DeMarche Associates completes an asset allocation study. This year the Retirement Board adopted a new asset allocation that will be phased in over time and is expected to increase portfolio returns while reducing investment risk. The new asset allocation reduces investments in U.S. stocks and bonds, increases our current investment in real estate, and makes new allocations to commodities, high yield bonds, and emerging market stocks.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on page 35, the new asset allocation is further explained in Management's Discussion and Analysis on page 18. More information regarding the investment professionals who provide services to the Police Retirement System can be found in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Police Retirement System of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2006. This was the fifth consecutive year that the Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The fiscal year 2007 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The four of us in the KCPERS office thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Police Retirement System.

Respectfully submitted,

James J. Pyle
Pension Systems Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Police Retirement System of Kansas City, Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

KCPERS
Kansas City Police Employees' Retirement Systems

1328 Agnes • Kansas City, Missouri 64127
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 482-8851

September 28, 2007

Dear Members,

On behalf of the Retirement Systems Board I am pleased to provide you with the Police Retirement System of Kansas City, Missouri Comprehensive Annual Financial Report for the fiscal year ending April 30, 2007. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

This year we started to see results from our efforts to improve the funded status of the Police Retirement System. The funded ratio increased to 86% as the result of another year of better than expected investment performance and lower than expected actuarial liabilities. The investment policy adopted by the Retirement Board continues to provide excellent investment performance in the current market. This past year our investment rate of return was 12.96%, outperforming both our expected rate of return of 7.75% and the benchmark rate of return of 11.87%.

During the past year, the Retirement Board completed the first membership survey in over 10 years. Over 75% of our members said they were very satisfied or satisfied with their retirement benefits. However the survey results gave us several items to work on including providing more frequent information to active and retired members through the newsletter and e-mail and providing greater access to the Retirement Board and staff at times and in locations that are convenient to our members. This year Governor Blunt signed legislation which authorizes the Retirement Board to provide an equalizing supplemental benefit to members of the Police Retirement System who retired with 25 or more years of service prior to August 2000 or who retired on a non-duty or duty disability prior to August 2001, provided the retirement plan remains actuarially sound. Finally the Retirement Board adopted a new investment policy that will further diversify the investments of the Police Retirement System while reducing overall investment risk.

In closing I want to thank you, our members, for your continuing support of our efforts to improve the benefits and operations of the Police Retirement System of Kansas City, Missouri. I also want to thank our staff in the KCPERS office for their hard work and assistance to our members and the Retirement Board.

Sincerely,

Gary R Howell

Gary Howell
Retirement Board Chairman

Outside Professional Services

ACTUARY

Milliman, Inc.
Patrice Beckham, Brent Banister
Omaha, Nebraska

AUDITORS

BKD, LLP
Randy Oberdiek, William Nicks
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANT

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

LEGAL COUNSEL

Slagle, Bernard & Gorman
Gerald W. Gorman
Kansas City, Missouri

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
Frank Fauser
Chicago, Illinois

INVESTMENT ADVISORS

Financial Counselors, Inc.
Peter Greig, Graham Hunt
Kansas City, Missouri

RCM Capital Management
Scott Migliori, Peter Sullivan
San Francisco, California

Waddell & Reed Asset Management Group
Mark Seferovich, Tracey Lewis
Overland Park, Kansas

G E Asset Management
Brian Hopkinson, Sean Tole
Stamford, Connecticut

Systematic Financial Management
Ron Mushock, James Wallerius
Teaneck, New Jersey

LSV Asset Management
Rob Vishny, Keith Bruch
Chicago, Illinois

Vontobel Asset Management
Edwin Walczak, Peter Newell
New York, New York

Prudential Real Estate Investors
Terry McHugh, Kevin Smith
Parsippany, New Jersey

Abbott Capital Management, LLC
Meredith Rerisi, Charles van Horne
New York, New York

JPMorgan Investment Management, Inc.
Lawrence Unrein, Katherine Rosa
New York, New York

Financial Section

Independent Auditors' Report on Financial Statements and Supplementary Information

Retirement Board
Police Retirement System of Kansas City, Missouri
Kansas City, Missouri

We have audited the accompanying basic financial statements of the Police Retirement System of Kansas City, Missouri (the Plan), a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Police Retirement System of Kansas City, Missouri as of April 30, 2007, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2007 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We previously expressed an unqualified opinion on the 2006, 2005 and 2004 financial statements. The supplementary information for the years ended April 30, 2002 through 2003 was audited by other auditors whose reports expressed unqualified opinions on such information in relation to the basic financial statements for the years then ended, taken as a whole.

Kansas City, Missouri
July 23, 2007

BKD, LLP

Twelve Wyandotte Plaza 120 West 12th Street Suite 1200 Kansas City, MO 64105-1936 816 221-6300 Fax 816 221-6380

bkd.com Beyond Your Numbers

The Police Retirement System of Kansas City, Missouri is the defined benefit retirement plan for law enforcement members of the Kansas City, Missouri Police Department. The Police Retirement System was established by the Missouri General Assembly in 1946 and is administered by the Retirement System Board to provide retirement, disability and survivor benefits to its members.

This discussion and analysis of the Police Retirement System's financial statements provides an overview of its operations and investment performance during the year ended April 30, 2007. Please read it in conjunction with the Police Retirement System's financial statements, which follows this section.

Overview of Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Plan Net Assets as of April 30, 2007 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2007. These statements reflect resources available for the payment of benefits as of the year end, and the sources and use of those funds during the year.

- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Information in the notes includes a description of the Plan, a summary of significant accounting policies, the method used to value investments and a summary of investments.

- Required supplementary information presents schedules related to employer contributions and the funding of the Plan.

- Other supplementary schedules consist of detailed information supporting administrative and investment expenses and a historical summary of revenues and expenses.

Financial Analysis

The Police Retirement System's benefits are funded through member and employer contributions, and investment income. The net assets of the Police Retirement System increased by $62,567,196 from $692,539,940 as of April 30, 2006 to $755,107,136 as of April 30, 2007. This increase was due to a 12.96% rate of return on investments.

Plan Net Assets

The following is a summary comparative statement of Plan Net Assets for the System:

	April 30, 2007	April 30, 2006	Amount Change	Percentage Change
Cash and cash equivalents	$9,847	$43,545	$(33,698)	(77.39%)
Receivables	3,950,087	4,099,559	(149,472)	(3.65%)
Investments	752,317,399	689,211,025	63,106,374	9.16%
Securities lending collateral	172,688,546	153,698,148	18,990,398	12.36%
Office equipment	4,866	6,488	(1,622)	(25.00%)
Total assets	**928,970,745**	**847,058,765**	**81,911,980**	**9.67%**
Accounts and refunds payable	1,175,063	820,677	354,386	43.18%
Securities lending collateral	172,688,546	153,698,148	18,990,398	12.36%
Total liabilities	**173,863,609**	**154,518,825**	**19,344,784**	**12.52%**
Net assets	**$755,107,136**	**$692,539,940**	**$62,567,196**	**9.03%**

Changes in Plan Net Assets

The following is a summary comparative statement of Changes in Plan Net Assets for the System:

	April 30, 2007	April 30, 2006	Amount Change	Percentage Change
Member contributions	$7,814,142	$7,472,503	$341,639	4.57%
Employer contributions	14,526,734	13,729,225	797,509	5.81%
Net investment income	83,730,123	107,627,267	(23,897,144)	(22.20%)
Total additions	**106,070,999**	**128,828,995**	**(22,757,996)**	**(17.67%)**
Benefits paid to members	42,293,180	39,443,788	2,849,392	7.22%
Refunds of contributions	694,903	457,355	237,548	51.94%
Administrative expenses	515,720	495,613	20,107	4.06%
Total deductions	**43,503,803**	**40,396,756**	**3,107,047**	**7.69%**
Net Increase (Decrease)	**62,567,196**	**88,432,239**	**(25,865,043)**	**(29.25%)**
Net Assets, Beginning of Year	**692,539,940**	**604,107,701**	**88,432,239**	**14.64%**
Net Assets, End of Year	**$755,107,136**	**$692,539,940**	**$62,567,196**	**9.03%**

Financial Highlights

Net assets held in trust by the Police Retirement System, as reported in the Statement of Plan Net Assets, totaled $755,107,136 as of April 30, 2007. Net assets increased by $62,567,196 or 9.03%. The increase in net assets is mainly due to positive performance, relative to appropriate benchmarks, in domestic and international equity markets, and real estate. The increase in securities lending collateral is due to the normal fluctuations in the lending program. The increase in liabilities is due to the corresponding offset for securities lending collateral.

The Statement of Changes in Plan Net Assets, from fiscal year 2006 to fiscal year 2007, reflects a decrease of $22,757,996 in additions to the Plan and an increase of $3,107,047 in deductions from the Plan. Of the total additions, the Police Retirement System members' contributions increased by $341,639 and that amount includes $34,554 for service time purchased by members; employer contributions from the City of Kansas City, Missouri increased by $797,509. The increases in member and employer contributions are due to growth of payroll rather than changes to the contribution rates. The $23,897,144 decrease in net investment income from FY2006 to FY2007 is the result of investment performance that, while still positive, was less than the prior year. Of the total deductions, $1,546,416 represents an increase in benefit payments through a cost of living increase and a net increase in retired members receiving benefits and $1,302,976 represents an increase in partial lump-sum option payments. Refunds of contributions increased by $237,548 as longer term members of the Police Department terminated service prior to being vested in the retirement system.

For the fourth year in a row, employer contributions did not equal the amount, or percentage of compensation, recommended by the Retirement System actuary. For the year ended April 30, 2007, employee contributions were 10.55% of compensation and employer contributions were 19.70%, which is 9.36% below the annual required contribution rate of 29.06%. For the year beginning May 1, 2007, employer contributions are budgeted to remain at 19.70% of compensation.

The Retirement Board reviews the asset allocation of investments on a quarterly basis and the Retirement Board Investment Policy calls for a rebalancing, back to a target allocation, when either the fixed income or equity asset classes are ±7% from the target allocation. In June 2006, growth in the domestic and international equities markets caused equities to approach a 4.6% overweight position. The Retirement Board rebalanced the portfolio by moving $17.0 million from equities to fixed income. At the same time, $40 million was transferred from the G.E. Asset Management Core International Fund to the International LSV Value Equity Fund. In March 2007, an additional $8.8 million was committed to Prudential Real Estate Investors.

Operational Highlights

In August 2006, the provisions of House Bill 1138 and Senate Bill 830 became effective and provided creditable service in the Police Retirement System, under certain conditions, for members on a military leave of absence from the Police Department. In January 2007, legislation was introduced in the Missouri General Assembly to allow the retirement board to implement an equalizing supplemental benefit for certain members of the Plan who retired prior to August 2000.

The General Assembly passed Senate Bill 172 and Senate Bill 406, both of which contain the provisions of the equalizing supplemental bill. Both bills will become effective on August 28, 2007.

The Retirement Board completed an asset allocation study in January 2007 and approved a new asset allocation for the portfolio that lowers the equity allocation from 62% to 59%, lowers the fixed income allocation from 33% to 28% and increases the alternative allocation from 5% to 13%. The asset allocation was changed to increase the potential for investment returns and lower overall risk in the portfolio through greater diversification of assets. A 3% allocation to emerging markets was added to the equity portfolio, a 5% allocation to high yield bonds was added to the fixed income portfolio. In the alternative portfolio, a 5% allocation to commodities was added, the real estate allocation was increased to 5% and the private equity allocation was increased to 3%. The Retirement Board adopted a strategic implementation plan for the new asset allocation.

Requests For Information

This financial report is designed to provide members of the Police Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Police Retirement System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Employees' Retirement Systems, 1328 Agnes, Kansas City, Missouri 64127.

There are no other currently known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations of the Police Retirement System.

STATEMENT OF PLAN NET ASSETS
April 30, 2007

Assets

Investments	
U.S. government securities	$104,004,347
Municipal bonds	599,680
Corporate bonds and notes	71,476,347
Common and preferred stock	390,802,776
Government mortgage-backed securities	27,966,068
Asset-backed securities	5,505,726
Partnerships	3,090,808
Real estate	19,797,473
Short-term investment funds	18,729,091
Foreign equities	110,345,083
Total investments	**752,317,399**
Securities Lending Collateral	172,688,546
Receivables	
City contributions	1,136,847
Accrued interest and dividends	2,813,118
Other	122
Total receivables	3,950,087
Office Equipment, net of accumulated depreciation of $53,269	4,866
Cash	9,847
Total assets	928,970,745

Liabilities

Accounts and refunds payable	1,175,063
Securities lending collateral	172,688,546
Total liabilities	173,863,609
Net Assets Held in Trust for Pension Benefits	$755,107,136

(See Schedule of Funding Progress on Page 29)
See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended April 30, 2007

Additions

Investment Income	
Net appreciation in fair value of investments	$67,700,238
Interest and dividends	19,241,435
Investment expense	(3,420,997)
Net investment income	83,520,676
Securities Lending Income	
Securities lending gross income	8,837,678
Securities lending expenses	
Borrower rebates	(8,538,593)
Management fees	(89,638)
Total securities lending expenses	(8,628,231)
Net securities lending income	209,447
Total net investment income	83,730,123
Contributions	
City	14,526,734
Members	7,814,142
Total contributions	22,340,876
Total additions	106,070,999

Deductions

Benefits Paid	
Retired members	30,657,765
Spouses	4,420,659
Children	125,639
Disabled	5,544,299
Partial lump sum option	1,522,818
Death benefits	22,000
Total benefits paid	42,293,180
Other Deductions	
Refunds of contributions	694,903
Administrative expenses	515,720
Total other deductions	1,210,623
Total deductions	43,503,803
Net Increase	**62,567,196**
Net Assets Held in Trust for Pension Benefits, Beginning of Year	**692,539,940**
Net Assets Held in Trust for Pension Benefits, End of Year	**$755,107,136**

See Notes to the Financial Statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Police Retirement System of Kansas City, Missouri (the Plan) is considered a component unit of the City of Kansas City, Missouri financial reporting entity and included in the City's financial reports as a pension trust fund due to the nature of the Plan's reliance on funding from the City of Kansas City, Missouri. Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Measurement Focus and Basis of Accounting

The Plan uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a pension trust fund of fiduciary fund type. Pension trust funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Interest and dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Realized gains and losses on security transactions are based on the difference between sales proceeds and carrying value of the securities, and are recognized on the transaction date. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Contributions

Contributions totaling $22,340,876 ($14,526,734 employer and $7,814,142 employees) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2006. As a percentage of payroll, the amount contributed did not equal the ARC. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases based on age as follows: Age 25 – 8.3%; Age 35 – 7.3%; Age 45 – 5.2%; Age 55 – 5.0% and (c) post-retirement benefit increase of 3% per year of the original base pension granted annually.

As a condition of participation in the Plan, members are required to contribute a certain percentage of their compensation until they retire. For the year ended April 30, 2007, the member contribution rate was 10.55% of compensation. The computed City contribution rate of 29.06% was the balance required to pay pensions and maintain the Plan on an actuarially sound basis and would fund the normal cost and amortize the net unfunded actuarial accrued liability. For the year ended April 30, 2007, the City contributed at a rate of 19.70% of members' salaries.

Note 1: Summary of Significant Accounting Policies (Continued)

The actual contributions by the City have been less than the rates recommended by the actuary in four of the last ten years. The Plan is dependent upon the relationship of actual Plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the individual entry age normal method.

Valuation of Investments and Income Recognition
Marketable securities are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

For certain investments consisting of corporate bonds and notes that do not have an established fair value, the Plan has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings and quotations are obtained from brokerage firms or national pricing services.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments.

Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses
Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when incurred. These expenses are financed through investment income. The Kansas City, Missouri Police Department provides office space without any direct cost to the Plan.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Plan Tax Status
The Plan obtained its determination letter on February 14, 2006, in which the Internal Revenue Service stated that the Plan, as designated, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

The following description of the Police Retirement System of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.900 to 86.1280 RSMo) for a more complete description of the Plan's provisions.

The Plan is a single-employer, contributory, defined benefit plan established by the State of Missouri's General Assembly and administered by the Retirement Board of the Police Retirement System of Kansas City, Missouri.

At April 30, 2007, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	1,189
Terminated plan members entitled to but not yet receiving benefits	12
Active employees	
Vested	374
Non-vested	1,017
Total	**2,592**

The Plan provides retirement benefits and disability benefits. Members become vested for retirement benefits after 15 years of service or the combination of 10 years of service and age 60. Members who retire with 25 or more years of creditable service or those who retire at age 60 with 10 or more years of service are entitled to an annual pension of 2.5% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 75% of final compensation as defined in the plan. When an officer voluntarily resigns with 15 years of service or more, the member is entitled to an annual pension, beginning at age 55, of 2.5% of final average compensation multiplied by the number of years of creditable service. All benefits vest after 15 years of creditable service and members shall retire upon completion of 30 years of creditable service.

When members terminate employment prior to becoming vested in the Plan or when vested members elect to withdraw their accumulated contributions, they shall be paid their accumulated contributions in one lump sum.

The Plan provides for a disability pension based on the member's final average compensation for the remainder of his or her natural life or so long as the disability continues. The Plan also provides for death benefits when an accident or occupational disease, arising out of and in the course of regular duties, is the natural and proximate cause of the death of the member. This benefit amounts to $50,000.

An annual cost of living adjustment, not to exceed 3%, may be provided for members receiving benefits.

Note 2: Plan Description (Continued)

Current and future retired and disabled members and their surviving spouses were eligible to receive $420 per month as a supplemental benefit for the year ended April 30, 2007.

The minimum monthly benefit for retired members and surviving spouses is $600 in combined pension benefit amounts and cost of living adjustments. To be eligible for the $600 monthly minimum, the officer must have had at least 25 years of creditable service or be retired or have died as a result of an accident or illness occurring in the line of duty or course of employment.

Surviving spouses are eligible to receive 80% of the benefit amount being received by the retiree. The 80% benefit amount calculated under this provision is in addition to the supplement benefit provided.

The Plan is permitted by state statute to withhold amounts on behalf of members receiving benefits, including amounts for health and life insurance premiums. The Plan does not contract with insurance carriers on behalf of its members; instead, all insurance premiums are remitted through the Kansas City Police Department.

Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Missouri; bonds of any city, county, school district or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Cash and cash equivalents of $9,847, represent amounts held in the Plan's general operating accounts. The associated bank balance as of April 30, 2007 totaled $337,288. At April 30, 2007, $100,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the Federal Reserve Bank under joint custody agreements.

Note 3: Deposits, Investments and Investment Return (Continued)

Investments

For the year ended April 30, 2007, Northern Trust was the master custodian for significantly all of the securities of the Plan. The investments held by the Plan are managed by eleven Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds and equity securities.

Securities Lending Transactions

State statutes and the Plan's Board policies permit the Plan to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The Plan has contracted with Northern Trust as its third party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. At April 30, 2007, management believes the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. Contracts with the lending agent require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

Market value of securities loaned	$189,092,255

Market value of cash collateral received from borrowers	$172,688,546
Market value of non-cash collateral received from borrowers	21,488,379
Total market value of collateral	$194,176,925

All securities loans can be terminated on demand by either the Plan or the borrower. The cash collateral received on each security loan was invested, in accordance with the Plan investment guidelines, in short term funds.

The maturities of the resulting investments generally match the maturities of the securities lending arrangements themselves. The Plan is not permitted to pledge or sell collateral received unless the borrower defaults.

Note 3: Deposits, Investments and Investment Return (Continued)

At April 30, 2007, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years: Less than 1	1–5	6–10	More than 10	Loaned Under Securities Lending Agreements
U.S. Treasury obligations	$61,313,341	$12,743,128	$21,691,490	$20,586,223	$6,292,500	$61,313,341
U.S. agencies obligations	42,691,006	6,090,978	31,537,613	5,062,415	—	25,775,225
Municipal bonds	599,680	—	199,680	—	400,000	—
Corporate bonds	71,476,347	5,467,777	10,177,396	35,885,450	19,945,724	9,728,743
Government mortgage-backed securities	27,966,068	—	1,735,896	—	26,230,172	—
Asset-backed securities	5,505,726	—	5,505,726	—	—	—
Money market mutual funds	18,729,091	18,729,091	—	—	—	777,082
		$43,030,974	$70,847,801	$61,534,088	$52,868,396	
Corporate stocks	390,802,776					91,497,864
Real estate	19,797,473					—
Partnerships	3,090,808					—
Foreign equities	110,345,083					—
	$752,317,399					$189,092,255

Interest Rate Risk – The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The debt securities are presented in their respective category based on final maturity date. The Plan's investment policy does not specifically address exposure to fair value losses arising from rising interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to limit its investments in corporate bonds to those that are rated Baa or better by credit rating agencies. The Plan's portfolio must have an average rating of A or better in the aggregate as measured by at least one credit rating agency. At April 30, 2007, the Plan's investments in corporate bonds were rated Baa or better by *Standard & Poor's*. Additionally, the Plan's investments in U.S. agencies obligations not directly guaranteed by the U.S. government (including Federal National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation), were rated AAA by *Standard & Poor's* and its investment in money market mutual funds were rated AAA by *Standard & Poor's*. At April 30, 2007, the Plan's investments in International LSV and G.E. Asset Management foreign equities funds were not rated.

Note 3: Deposits, Investments and Investment Return (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $189,092,255 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Concentration of Credit Risk – The Plan limits the amount that may be invested in any one security at 5% to 15% of total Plan assets.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Plan's investment policy permits investments in international equities, American Depository Receipts (ADRs), warrants, rights, 144A securities, convertible bonds and U.S. registered securities whose principal markets are outside of the United States. All foreign equities held are denominated in U.S. dollars.

Investment Income

Investment income for the year ended April 30, 2007, consisted of:

Interest and dividend income	$19,241,435
Net increase in fair value of investments	67,700,238
	86,941,673
Less investment expense	3,420,997
	$83,520,676

Note 4: Accumulated Plan Benefits

An actuary from Gabriel, Roeder, Smith & Company determines the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The supplementary information provides more detailed analysis of actuarial assumptions and calculations.

Note 5: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 6: Litigation

The Plan purchases commercial insurance for general liability, employee dishonesty and commercial property. There have been no significant reductions in insurance coverage. Settlements have not exceeded coverage for these items in any of the past three years.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
5/1/2001	$600,051,893	$615,291,156	$15,239,263	98%	$57,505,238	27%
5/1/2002	620,948,986	648,632,789	27,683,803	96%	56,678,323	49%
5/1/2003@	611,246,928	682,690,968	71,444,040	90%	62,425,468	114%
5/1/2004	603,418,620	712,273,616	108,854,996	85%	66,230,606	164%
5/1/2005	604,560,607	741,001,020	136,440,413	82%	67,575,902	202%
5/1/2006	635,621,582	775,271,985	139,650,403	82%	71,835,495	194%

@ After changes in actuarial assumptions or methods.
See Note to the Required Supplementary Information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
2002	$10,837,294	104%
2003	11,579,240	104%
2004@	15,095,290	85%
2005	15,774,578	84%
2006	18,992,671	72%
2007	21,444,703	68%

@ After changes in actuarial assumptions or methods.
See Note to the Required Supplementary Information.

Note 1. Actuarial Methods and Assumptions

The information presented in the required supplemental schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	April 30, 2006
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	19.55 years

Actuarial assumptions:	
Investment rate of return	7.75% per annum
Inflation rate	3.50% per annum
Cost of living adjustments	3.00%, simple

Projected salary increases based on age as follows:

Age	Salary Scale
25	8.3%
35	7.3%
45	5.2%
55	5.0%

Note 1. Actuarial Methods and Assumptions (Continued)

Actuarial accrued liability as of April 30, 2006:

Active employees accruing benefits	
Retirement and withdrawal benefits	$261,426,322
Disability benefits	15,293,386
Death benefits	2,447,425
Supplemental benefits	20,522,125
Return of member contributions	(2,924,806)
Total active employees accruing benefits	296,764,452
Retired and inactive members	
Members with deferred benefits	1,513,090
Members receiving benefits	418,399,832
Retired and inactive members with supplemental benefits	58,594,611
Total retired and inactive members	478,507,533
Total actuarial accrued liability	775,271,985
Assets, at actuarial value	635,621,582
Unfunded actuarial accrued liability	**$139,650,403**

Actuarial Value of Assets are defined as follows:

Market Value of Assets on the Valuation Date

Minus 75% of net Realized and Unrealized Gain (Loss) during the prior plan year

Minus 50% of net Realized and Unrealized Gain (Loss) during the plan year two years prior

Minus 25% of net Realized and Unrealized Gain (Loss) during the plan year three years prior

POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI

SCHEDULE OF EXPENSES

Year Ending April 30, 2007

Investment Expenses	
Bank custodial fees and expenses	$110,261
Financial management expenses	3,254,136
Financial consultation	56,600
Total	**$3,420,997**

Administrative Expenses	
Salaries and payroll taxes	$281,545
Legal	75,976
Audit	11,200
Medical fees	11,225
Actuarial fees	32,325
Fringe benefits	37,872
Printing and office expense	11,815
Postage	5,587
Board meetings	1,003
Travel and educational expense	10,743
Insurance	2,783
Depreciation	1,622
Legislative consultation	20,838
Governmental fees	9,000
Other	2,186
Total	**$515,720**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 27, 2007

Dear Interested Parties,

DeMarche Associates serves as the investment consultant for the Kansas City Police Employees' Retirement Systems. Our primary objective is to provide the Retirement Board with information, advice, and a process in which appropriate investment decisions can be made and implemented through an investment policy. The degree of portfolio success may be in part attributable to the degree by which a process is implemented and followed within the three major areas of fiduciary responsibility: asset allocation, including diversification of assets and formulation of investment policy guidelines, prudent delegation of investment management, and ongoing performance measurement.

Current investment objectives of the fund include preserving principal and maximizing the rate of return to the System to meet approved actuarial assumptions. The System's absolute investment objective is a minimum return target of the Consumer Price Index plus 4%. The System also has a relative objective consisting of weighted returns of applicable investment style benchmarks.

The current asset allocation is based upon the fund's investment objective, given its risk/return profile, time horizon, and return expectations. The fund has delegated investment management functions to professional managers. The Board has diversified these investments among equities, fixed income, real estate, and private equity. Further equity diversification includes domestic and international, large cap and small cap, and growth and value. DeMarche provides performance measurement, using quarterly data supplied by the fund's custodian on a time-weighted rate of return methodology based on market values. Appropriate summaries and comparisons of investment performance are then provided to the Retirement Board.

Quarterly, the Retirement Board reviews its asset allocation for possible rebalancing of the asset classes that fall outside the Board's approved ranges. The Board also reviews the quarterly performance of their investment managers, comparing them to benchmarks and peer universes.

Over the last year, the Retirement Board conducted an Asset Mix Study. During the Study new asset classes were reviewed and various optimization model portfolios, with their expected returns and standard deviations, were examined. The Retirement Board adopted a revised asset mix adding Commodity, High Yield and Emerging Markets asset classes into their target portfolio. Investment into these asset classes will be phased into the portfolio over the next few years.

The Retirement Board is committed to a long-term investment policy that maximizes returns within the Board's acceptable level of risk.

Regards,

DEMARCHE ASSOCIATES, INC.

William Miskell

William Miskell
Executive Vice President
Chief Operating Officer

P.O. Box 7027 • Kansas City, Missouri 64113 • 913-384-4994

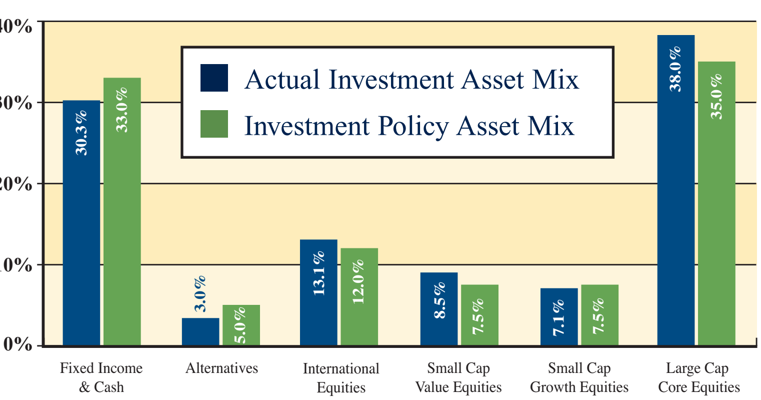
Summary of Investment Policies and Objectives

Investment performance objectives were established to give the retirement system a method to evaluate investment return of the system's portfolio and individual managers. The system's investment return will be measured against and expected to exceed the following benchmarks: 1) Absolute Investment Objective, a minimum return target of the Consumer Price Index plus 4% which represents a long term real rate of return of 4%; 2) Relative Standard Performance, a relative return objective of 35% S&P 500 Index, 15% Russell 2000 Index, 12% EAFE Index, 33% Lehman Government/ Corporate Index, 2.5% NCREIF Index and 2.5% 3 Month Treasury Bill Rate + 0.5%; 3) Comparative Standards of Performance, a relative return objective of above median in a 62% equity (12% international) and 38% bond (5% alternative investments) balanced manager universe.

The asset allocation of 62% equities, 33% bonds and fixed income, and 5% alternatives remained unchanged for the year. The equities allocation is divided into 35% large cap stocks, 15% small cap stocks, and 12% international stocks. The small cap allocation is further subdivided into 7.5% for small cap growth stocks and 7.5% for small cap value stocks. The 12% allocation to international stocks is held in two commingled funds. The individual commingled funds total more than 5% of plan assets and as a result must be disclosed under Governmental Accounting Standards Board rules. However none of the individual stocks in either commingled fund makes up more than 5% of the total assets. The alternative allocation is divided into 2.5% real estate and 2.5% private equity.

The Retirement Board adopted a new asset allocation in January 2007 which is being phased in during Fiscal Year 2008. The new asset allocation includes 59% equities, 28% bonds and fixed income, and 13% alternatives. The equity allocation is divided into 34% large and mid cap stocks, 10% small cap stocks and 15% international stocks. The small cap allocation is further subdivided into 5% for small cap growth and 5% for small cap value stocks. The international allocation is further subdivided into 12% large cap international and 3% emerging markets stocks. The bond and fixed income allocation is divided into 23% intermediate bonds and up to 5% high yield bonds. The alternative allocation is divided into 5% real estate, 3% private equity, and up to 5% commodities. The expected return for this new asset allocation is 8.93% and expected standard deviation (risk) is 10.74%.

The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, did the manager make or lose money, and on a relative basis, did the manager perform compared to their designated benchmark. DeMarche also provides comparative information about how the investment manager's performance stacked up against other managers in their asset class. The Retirement Board reviews the asset allocation of the fund on a monthly basis and quarterly decides if the assets in the fund need to be rebalanced back to the target asset allocation. In June 2006 the allocation to international stocks was divided between GE Asset Management and LSV. GE is an international growth manager and LSV Asset Management is an international value manager. The portfolio was also rebalanced back to target allocations by selling international stocks, which had increased in value due to market gains and purchasing bonds, which had dropped below the target allocation.



Asset Allocation

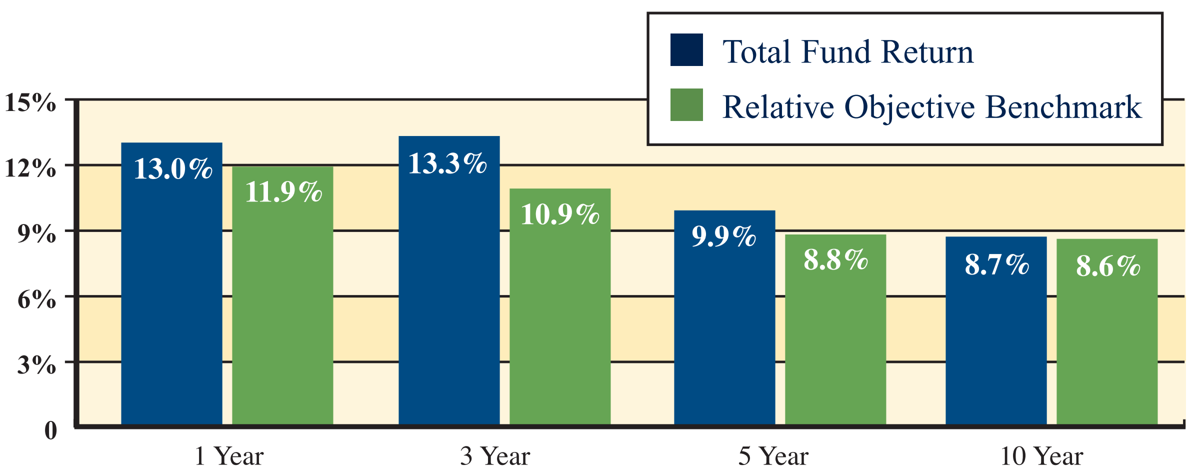
Year Ending April 30, 2007

Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2007. However, the results for the ten year returns are available for the quarter ending March 31, 2007 rather than for the fiscal year ending April 30, 2007. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2007 (Ten Year Returns as of March 31, 2007)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	7.3%	4.4%	5.1%	6.5%
Lehman Govt/Credit		*7.3%*	*4.2%*	*5.3%*	*6.5%*
GE Asset Mgmt	Foreign Equities	19.1%	25.2%	16.9%	9.9%
International LSV	Foreign Equities	N/A			
MSCI EAFE		*19.8%*	*22.5%*	*16.6%*	*8.3%*
Waddell & Reed	Small Cap Growth Equities	5.9%	14.5%	10.4%	
Russell 2000 Growth		*4.5%*	*12.3%*	*8.9%*	
RCM Capital Mgmt	Large Cap Growth Equities	12.2%	9.7%	6.2%	
Russell 1000 Growth		*12.3%*	*9.1%*	*6.2%*	
Systematic Financial	Small Cap Value Equities	9.5%	17.4%	11.7%	
Russell 2000 Value		*11.2%*	*16.9%*	*13.1%*	
LSV Asset Mgmt	Large Cap Value Equities	19.8%	21.2%		
Russell 1000 Value		*18.2%*	*16.8%*		
Vontobel Asset Mgmt	Large Cap Value Equities	16.7%	8.4%		
S&P 500		*15.2%*	*12.3%*		
Prudential PRISA II	Real Estate	19.9%			
NCREIF Property		*16.5%*			
Abbott Capital	Private Equity	(9.3%)			
JP Morgan	Private Equity	(13.3%)			
Total Fund		**13.0%**	**13.3%**	**9.9%**	**8.7%**
Absolute Objective		***6.0%***	***6.5%***	***6.1%***	***6.2%***
Relative Objective		***11.9%***	***10.9%***	***8.8%***	***8.6%***



Returns provided by DeMarche Associates, Inc. to the Kansas City Police Employees' Retirement System.

Note: Performance returns were calculated using a time weighted rate of return based on market values.

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2007	Market Value
1) Pfizer Inc.	$7,152,138
2) Bank of America Corp.	6,900,768
3) J P Morgan Chase & Company	6,590,650
4) Chevron Corp.	5,614,804
5) Federal Home Loan Mortgage Corp.	5,583,064
6) Exxon Mobil Corp.	5,000,940
7) Citigroup Inc.	4,353,944
8) American International Group Inc.	4,275,696
9) Merck & Company Inc.	4,192,360
10) Berkshire Hathaway Inc. Class B	3,798,516

Ten Largest Bond Holdings April 30, 2007	Market Value
1) US Treasury Notes 3.375% Due 2008	$9,798,050
2) US Treasury Notes 3.625% Due 2010	7,814,064
3) US Treasury Notes 4.00% Due 2007	6,473,597
4) US Treasury Bonds 5.25% Due 2029	6,292,500
5) US Treasury Notes 6.125% Due 2007	6,269,531
6) US Treasury Notes 5.125% Due 2016	6,218,670
7) General Electric Capital Corp. 6.75% Due 2032	5,692,910
8) American Express 5.43% Due 2010	5,505,726
9) Federal National Mortgage Assoc. 5.45% Due 2011	5,496,590
10) Federal Home Loan Mortgage Corp. 5.10% Due 2010	5,479,210

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2007

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Liquidnet Inc.	1,372,425	$33,400,168	$28,377	$0.021
Credit Suisse First Boston Corporation	29,263,425	57,743,061	28,030	0.001
Bernstein, Sanford C. & Co.	366,990	18,825,252	17,683	0.048
Investment Technology Group Inc.	1,119,521	35,597,924	17,204	0.015
Lehman Brothers Inc.	5,402,575	18,653,951	15,888	0.003
Goldman Sachs & Company	340,925	10,906,298	13,212	0.039
Merrill Lynch Pierce Fenner & Smith	317,825	14,039,931	10,322	0.032
Citigroup Global Markets Inc./Smith Barney	4,954,825	21,759,770	10,091	0.002
Bear Stearns 57079	224,675	6,195,628	9,095	0.040
Morgan Stanley & Co. Inc. New York	330,750	11,627,532	8,177	0.025
Banc America Secur. Montgomery Div.	219,800	6,963,058	8,077	0.037
Lehman Brothers Inc. New York	180,967	7,084,827	7,874	0.044
Robert W. Baird & Company Inc. Milwaukee USA	186,300	5,726,320	7,727	0.041
Direct Trading Institutional Inc.	796,598	13,682,510	6,744	0.008
Blair, William & Co.	138,655	5,900,381	6,676	0.048
UBS Warburg LLC	148,416	4,648,640	6,203	0.042
Raymond James	147,168	3,638,232	5,732	0.039
Unterberg Harris	143,000	2,678,233	5,568	0.039
Others (Including 72 Brokerage Firms)	3,684,379	112,768,149	126,135	0.034
Totals	**49,339,219**	**391,839,865**	**$338,815**	**$0.007**

Zero commission trades excluded from above	179,097,418	$235,580,887

Investment Summary

Year Ending April 30, 2007

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/07	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$209,352,668	27.8%
Cash			18,729,091	2.5%
GE Asset Management	Jun 1994	Foreign Equities	47,871,679	6.3%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	53,381,182	7.1%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	56,828,721	7.6%
Systematic Financial Management	Aug 2001	Small Cap Value Equities	63,652,149	8.5%
LSV Asset Management	Feb 2003	Large Cap Value Equities	179,393,616	23.8%
Vontobel Asset Management	Feb 2003	Large Cap Value Equities	49,297,223	6.6%
Prudential PRISA II	Sep 2004	Real Estate	19,797,473	2.6%
Abbott Capital Management	Aug 2005	Private Equity	1,874,772	0.2%
JPMorgan Investment Management	Jan 2006	Private Equity	1,216,036	0.2%
LSV International Value	Jun 2006	Foreign Equities	50,922,789	6.8%
		Total	**$752,317,399**	

Investment Summary (Continued)

Year Ending April 30, 2007

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$316,431	–	–
GE Asset Management	285,886	–	–
Waddell & Reed Investment Management	366,042	$69,248	$0.041
RCM Capital Management	233,706	33,462	0.035
Systematic Financial Management	475,187	166,693	0.027
LSV Asset Management	643,518	21,202	0.013
Vontobel Asset Management	218,823	48,210	0.014
Prudential PRISA II	218,600	–	–
Abbott Capital Management	161,491	–	–
JPMorgan Investment Management	139,125	–	–
LSV International Value	195,327	–	–
Total	**$3,254,136**	**$338,815**	**$0.007**

Actuarial Section

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

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October 2, 2007

The Board of Trustees
Police Retirement System of Kansas City, Missouri
1328 Agnes Street
Kansas City, MO 64127

Dear Members of the Board:

At your request, we have performed an annual actuarial valuation of the Police Retirement System of Kansas City, Missouri as of April 30, 2007 for determining the actuarial contribution rate for fiscal year 2009. The valuation reflects the benefit provisions in effect as of April 30, 2007. There was one change in the benefit provisions since the last valuation: creditable service for military leave is granted without the payment of member contributions under certain conditions. This had no material impact on the valuation results. There was no change in the actuarial assumptions or methods from the prior valuation.

The basic financial objective of the Police Retirement System of Kansas City, Missouri is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Police Retirement System of Kansas City, Missouri to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liability as a level percent of active member payroll over a finite period.

In preparing the valuation, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the actuarial valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions and Supporting Recommendations of American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations of future experience); and which, in combination, offer our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs will vary from those presented in the valuation report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as outlined in Appendix C.

Actuarial computations in this valuation are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in the valuation report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Determinations for purposes other than these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

The actuary prepared, or assisted in preparing the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

- Summary of Assumptions
  - Funding Method, Asset Valuation Method, Interest Rate
  - Payroll Growth
  - Probabilities of Age and Service Retirement
  - Probabilities of Separation from Active Employment Before Age and Service Retirement
- Short-Term Solvency Test
- Membership Data
- Analysis of Financial Experience
- Supplementary Schedules
  - Schedule of Funding Progress
  - Schedule of Employer Contributions
  - Notes to Trend Data

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The April 30, 2007 actuarial valuation includes non-economic assumptions and methods resulting from the experience study covering the 5-year period from May 1, 1997 to April 30, 2002, as adopted by the Board based on advice of the prior actuary.

The valuation results provide a "snapshot" view of the System's financial condition on April 30, 2007. The unfunded actuarial accrued liability decreased from the last valuation by approximately $30 million. The System is 86% funded as of April 30, 2007, based on the actuarial value of assets. The System experienced an actuarial gain this year, primarily due to favorable investment return. The actual contribution made by the City in the last four years has been significantly lower than the actuarial contribution rate. For the continued well being of the System it is important that a plan be instituted for receiving contributions at the levels recommended in the actuarial valuation. Absent such a plan, the day will come when COLAs cannot be paid or when benefit levels may need to be reconsidered.

Based upon the results of the April 30, 2007 valuations, future contributions need to be increased for the Police Retirement System of Kansas City, Missouri to meet its basic financial objective and continue in sound condition in accordance with actuarial principles of level percent of payroll financing.

Milliman's work product was prepared exclusively for the Police Retirement System of Kansas City, Missouri for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Police Retirement System of Kansas City, Missouri operations, and used data from the Police Retirement System of Kansas City, Missouri, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to the System's staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham, F.S.A. am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister, F.S.A. am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully Submitted,

MILLIMAN, Inc.

Patrice Beckham

Brent A. Banister

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister, F.S.A.
Actuary

Summary of Actuarial Assumptions and Methods

The investment rate of return is 7.75% per year based on an underlying rate of inflation of 3.5% per year. (Adopted 10/3/97)

The System uses a four-year smoothed market approach to value plan assets for actuarial purposes. (Adopted 10/12/00)

Actuarial assumptions are suggested by the retirement system actuary and approved by the Retirement System Board.

For healthy and disabled retirees and surviving beneficiaries, and all active employees, the System uses the 1983 Group Annuity Mortality Table for both males and females.

The rates to measure the probabilities of age and service retirements are included in the Rates of Retirement table on the following pages.

Tables for Rates of Separation from Active Membership and Rates of Disability are shown on the following pages.

The projected average salary increase attributable to inflation is 4.5% (adopted 10/3/97); merit and longevity increases range from 0.5% to 4.4% (adopted 12/10/02) depending upon the sample ages. These increases include an underlying assumption of 3.5% for inflation (adopted 10/3/97). The table for Pay Increase Assumptions is shown on the following pages.

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over a closed initial period of 24 years. (Adopted 10/3/97)

The System assumes the Retirement Board will grant the full 3.0% cost of living adjustment each year as allowed by state statute. (Adopted 1973)

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in December 2002 for the period May 1, 1997 through April 30, 2002. The Retirement System Board adopted the recommendations and assumptions from the December 2002 experience study for the valuation dated April 30, 2003 at the December 10, 2002 board meeting.

The most recent valuation was completed by Milliman, Inc. and was based on members of the System as of April 30, 2007. All census data was supplied by the System and was subject to reasonable consistency checks. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

Summary of Actuarial Assumptions and Methods (Continued)

Mortality Tables. For healthy lives, the 1983 Group Annuity Mortality Table. Male and female officers still in active employment are assumed to be subject to 75% of the previously described mortality tables. (Adopted 10/3/97)

For disabled lives, the 1983 Group Annuity Mortality Table, set forward 10 years for males and 10 years for females was used. (Adopted 12/10/02)

It was assumed that 20% of deaths-in-service would be duty related.

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment. (Adopted 12/10/02)

Sample Ages	% of Active Members Separating within Next Year	
	Male	Female
25	6.4%	6.7%
30	4.5%	5.6%
35	2.8%	4.2%
40	2.0%	2.0%
45	1.1%	0.5%
50	0.7%	0.0%

Summary of Actuarial Assumptions and Methods (Continued)

Rates of Disability. These assumptions represent the probabilities of active members becoming disabled. It was assumed that 55% of disabilities would be duty related. (Adopted 12/10/02)

Sample Ages	% of Active Members Becoming Disabled within Next Year	
	Male	Female
30	0.000%	0.000%
35	0.240%	0.480%
40	0.320%	0.640%
45	0.336%	0.672%
50	0.584%	1.168%
55	1.120%	2.240%
60	1.984%	3.968%

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year. (Adopted 12/10/02)

Active Members Retiring Within Next Year	
Years of Service	Percent Retiring
25	30%
26	30%
27	30%
28	25%
29	40%
30	100%

Summary of Actuarial Assumptions and Methods (Continued)

Pay increase assumptions for individual active members are shown below. (Adopted 12/10/02)

Sample Ages	Annual Rate of Pay Increase for Sample Ages: General Wage Growth	Merit and Longevity	Total
20	4.5%	4.4%	8.9%
25	4.5%	3.8%	8.3%
30	4.5%	3.3%	7.8%
35	4.5%	2.8%	7.3%
40	4.5%	1.6%	6.1%
45	4.5%	0.7%	5.2%
50	4.5%	0.5%	5.0%
55	4.5%	0.5%	5.0%
60	4.5%	0.5%	5.0%

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2007

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2002	1,204	$56,678,323	$47,075	7.7%
2003	1,266	62,425,468	49,309	4.7%
2004	1,303	66,230,606	50,829	3.1%
2005	1,285	67,575,902	52,588	3.5%
2006	1,355	71,835,495	53,015	0.8%
2007	1,391	80,111,515	57,593	8.6%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2007

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ended April 30	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	% Increase in Annual Benefits	Average Annual Benefits
2002	51	$1,571,767	31	$355,257	1152*	$28,892,453	7.1	$25,080
2003	29	922,116	27	445,922	1154*	30,052,362	4.0	26,042
2004	38	1,214,976	30	582,329	1162*	31,382,052	4.4	27,007
2005	36	1,194,013	24	420,756	1174*	32,862,853	4.7	27,992
2006	37	1,317,604	25	407,332	1186*	34,524,112	5.1	29,110
2007	42	1,352,192	39	783,851	1189*	35,867,172	3.9	30,166

Benefit amounts do not include $420 supplemental benefit.

* The total number does not reflect QDROs receiving benefits. The member and respective QDRO have been grouped together as one pension for reporting purposes.

Short-Term Solvency Test

Valuation Date April 30	ENTRY AGE ACCRUED LIABILITIES (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
2002	$41,661,164	$424,565,985	$182,405,640	$620,948,986	100%	100%	85%
2003*	46,015,271	436,805,624	199,870,073	611,246,928	100	100	64
2004	50,340,747	448,521,694	213,411,175	603,418,620	100	100	49
2005	55,220,395	460,235,649	225,544,976	604,560,607	100	100	40
2006	59,717,930	476,677,326	238,876,729	635,621,582	100	100	42
2007	64,314,276	487,633,976	255,953,924	698,078,688	100	100	57

* *After changes in actuarial assumptions or methods.*

Note: Results for years before 2007 were prepared by the prior actuary.

Analysis of Financial Experience

Year Ended April 30, 2007

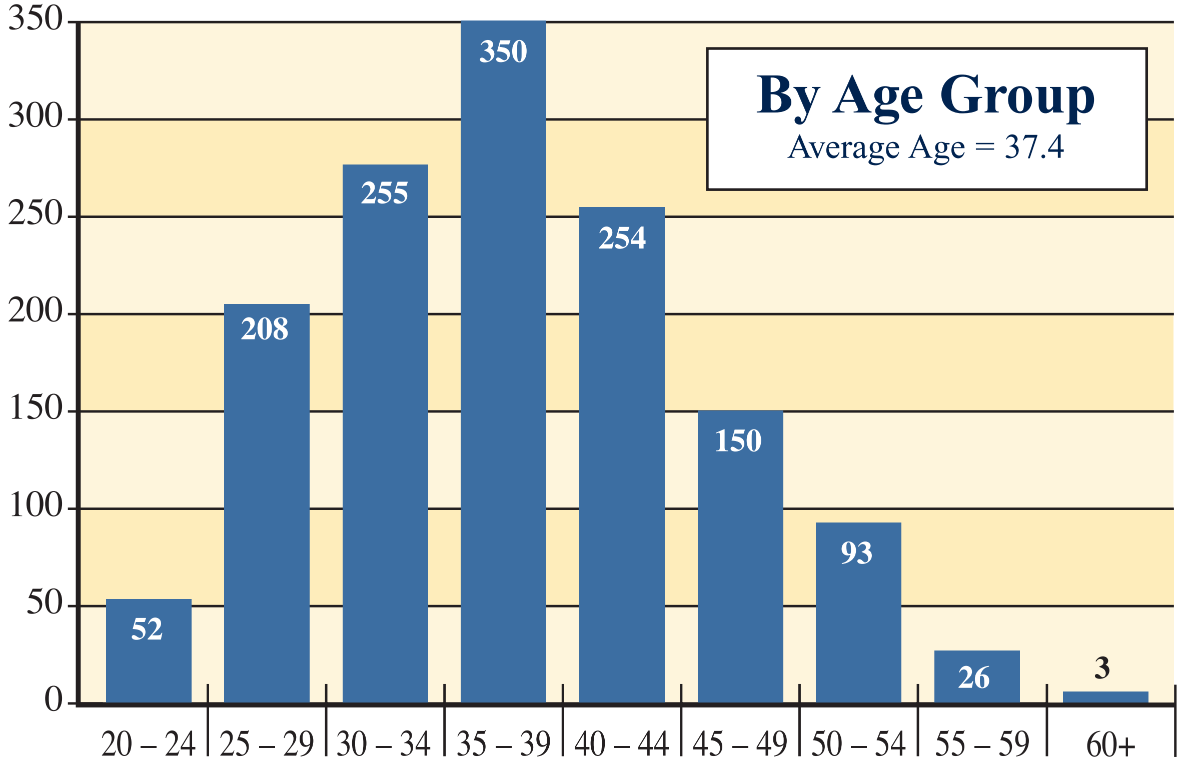
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

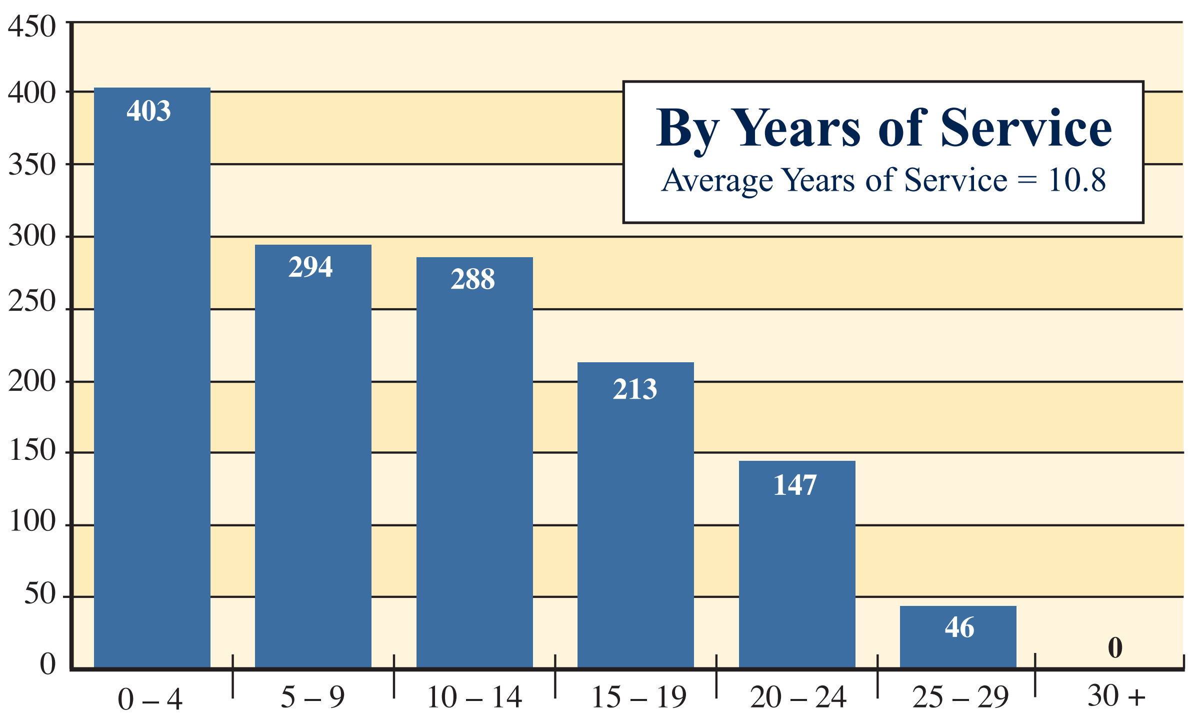
			$ Millions
(1)		UAAL* at start of year	139.7
(2)	+	Normal cost for year	19.6
(3)	+	Assumed investment return on (1) & (2)	12.3
(4)	-	Actual contributions (member + city)	22.3
(5)	-	Assumed investment return on (4)	0.9
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	148.4
(7)	+	Increase (decrease) from amendments	–
(8)	+	Increase (decrease) from replication of 2006 valuation	3.5
(9)	=	Expected UAAL after changes (6) + (7) + (8)	151.9
(10)	=	Actual UAAL at year end	109.8
(11)	=	Experience gain (loss) (9) - (10)	42.1
(12)	=	Percent of beginning of year AAL	5.4%

* *Unfunded Actuarial Accrued liability/(Surplus)*

Year Ended April 30	2002	2003	2004	2005	2006	2007
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(2.0)%	(6.5)%	(5.1)%	(3.1)%	0.5%	5.4%

Active Membership





Summary Plan Description

Membership

All police officers who serve as law enforcement officers for compensation shall become members of the Police Retirement System of Kansas City, Missouri as a condition of their employment. Members do not include police commissioners, reserve officers, or civilian employees.

Creditable Service

Membership service includes all service rendered as a police officer for compensation. Creditable service includes current membership service and may also include purchases of prior service, military service, and other qualifying public service.

Service Interruptions

If a member is on temporary leave of absence for 30 consecutive days or less, or for military leave under certain condition, there is no interruption in the members' service. If a member is on leave of absence for more than 30 consecutive days the member may receive service credit by paying the applicable member contributions to the Retirement System. Under certain conditions a member may be eligible for creditable service for military leave without paying the applicable member contributions. Creditable service does not include any time a member is suspended from service without pay. The Board of Police Commissioners must approve a leave of absence.

Prior Service

A member who terminates membership with five years or more of creditable service and later returns may be given credit toward retirement for that prior service. However, the member must first repay to the Retirement System the amount refunded to them upon separation plus interest.

Prior Military Service

Members may elect to purchase creditable service in the Retirement System based upon any active duty time they served in the U.S. military prior to employment with the Kansas City, Missouri Police Department. A member may purchase up to two years of qualifying military service. The cost shall be determined at the time of purchase using current actuarial rates, and must be paid in full prior to retirement.

Other Public Employment

Under Section 105.691 RSMo. a member who has been employed in nonfederal public employment in the State of Missouri prior to becoming a member of the Police Retirement System may purchase service up to the actual number of years of public service in an eligible position. A member becomes eligible under this section after they have been a member of the Police Retirement System for five years. The cost shall be determined using actuarial rates.

Contributions

All members contribute a percentage of their base pay until they retire or have completed 30 years of creditable service. The member contribution rate is 10.55% of base pay. Member contributions are made through payroll deduction on a pre-tax basis and paid into the Retirement System by the Board of Police Commissioners each pay period.

The City of Kansas City, Missouri contributes 19.7% of members' base pay. The current annual required contribution to maintain the Retirement System on an actuarially sound basis is 29.00% of base pay. Future contribution rates will be based on actuarial requirements.

Retirement Benefits

A member is eligible to retire after completing 25 or more years of creditable service and must retire after completing 30 years of creditable service or turning age 60, whichever occurs first. However, the Board of Police Commissioners may, upon recommendation of the Chief of Police, permit a member who has reached age 60 but has not yet completed 30 years of creditable service to continue in service until they reach age 65 and then the member must retire.

Age and Service Retirement

Upon retirement, a member with at least 25 years of creditable service or a member who is age 60 with at least 10 years of creditable service shall receive an annual pension calculated as follows:

For a member retiring on or after August 28, 2000, the annual benefit is calculated by multiplying 2.5% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 75% of the member's Final Compensation. For a member retiring before August 28, 2000, the annual benefit was calculated by multiplying 2.0% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 60% of the member's Final Compensation.

Final Compensation is generally the member's average annual compensation over the 24 months of service for which the member received the highest base salary.

Minimum Pension Benefit

Any member who retired entitled to a pension benefit and who either has at least 25 years of creditable service or is retired as a result of an injury or illness occurring in the line of duty or course of employment, shall receive a minimum monthly benefit of not less than $600 in combined pension benefit and cost-of-living adjustments. A surviving spouse qualifies for the minimum monthly benefit if the officer had at least 25 years of creditable service or was retired or died as a result of an injury or illness occurring in the line of duty or course of employment. The minimum monthly pension benefit is in addition to the Supplemental Retirement Benefit.

Disability Benefits

A member eligible for disability benefits must have a permanent disability that prevents the member from performing the full and unrestricted duties of a police officer. A duty disability is the exclusive result of an accident occurring within the actual performance of duty or through an occupational disease arising out of and in the course of employment. A non-duty disability is the result of an injury or illness not exclusively caused by the actual performance of official duties or the member's own negligence.

A member eligible for a duty disability pension, as determined by the Board of Police Commissioners with advice from the Medical Board of the Retirement System, shall have no age or service requirement and will receive a pension equal to 75% of the member's Final Compensation for so long as the permanent disability shall continue. The pension may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law. A disability retiree who is not age 60 may be required by the Retirement Board to undergo periodic medical examinations.

A member eligible for a non-duty disability pension, as determined by the Board of Police Commissioners with advice from the Medical Board of the Retirement System, must have 10 or more years of creditable service and will receive a pension equal to 2.5% of the member's Final Compensation multiplied by the number of years of the member's creditable service for so long as the permanent disability shall continue. A non-duty disability retiree who is not age 60 may be required by the Retirement Board to undergo periodic medical examinations.

Partial Lump-sum Option Payment (PLOP)
A Partial Lump-sum Option Payment (PLOP) is available to members electing a normal retirement who have 26 or more years of creditable service. A member with at least 26 years of creditable service may elect a lump-sum amount equal to 12 times the initial monthly base pension they would have received without making the PLOP election. A member with at least 27 years of creditable service may elect a lump-sum amount equal to 24 times the initial monthly base pension they would have received without making the PLOP election. A member with at least 28 years of creditable service may elect a lump-sum amount equal to 36 times the initial monthly base pension they would have received without making the PLOP election. When a member makes an election to receive a PLOP, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. The reduction in a member's retirement benefit with a PLOP is dependent upon the member's age, creditable service, marital status and the amount of the PLOP.

Survivor Benefits
Upon the death of a member in service or of a member after retirement, there shall be paid the following:

If a member dies while in service, the surviving spouse shall be paid a base annual pension equal to 40% of the Final Compensation of the member.

If a member dies after commencement of pension benefits, and after August 28, 1999, the member's surviving spouse shall be paid a pension and/or special consultant supplement in an amount equal to 80% of the pension being received by the member, including cost of living adjustments, at the time of the member's death. The 80% benefit amount calculated under this provision is in addition to the Supplemental Retirement Benefit.

A member's child or children under the age of 18, at the time of the member's death, shall be paid $50.00 per month each. Each child who is a full-time student may continue to receive payments until they reach the age of 21. Any child who is physically or mentally incapacitated from earning wages shall be entitled to the same benefits as a child under the age of 18.

A funeral benefit of $1,000.00.

If there is no qualified surviving spouse, or if the surviving spouse dies, the pension to which the surviving spouse would be entitled shall be payable to the qualified child or children of the deceased member in equal shares.

If there is no surviving spouse or children qualified to receive a pension, the remainder of the accumulated contributions of the deceased member shall be paid to a named beneficiary.

For entitlement to benefits, the surviving spouse of a member who retired on or after August 28, 1997 must have been married to the member at the time of the member's retirement. The surviving spouse of a member who retired prior to August 28, 1997 must have been married to the member for at least two years prior to the member's retirement.

A surviving spouse applying for a pension must furnish a copy of their marriage certificate and the death certificate of the deceased member. Children applying for a pension must furnish a copy of the death certificate and a copy of their birth certificate.

When the surviving spouse or children receive Workers' Compensation benefits on account of the death of a member in service, the amounts of any payments under this section may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

Cost of Living Adjustments
Members, including surviving spouses, may receive an annual cost of living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. To be eligible for the cost of living increase, which is normally granted on the May 31 retirement check, the member's pension must have commenced by December 31 of the prior year.

Supplemental Retirement Benefit
All retired members and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of $420.00 monthly, in addition to pension benefits.

Resignation or Termination
Upon resignation or termination of a member, with less than 15 years of creditable service, the member will be paid the amount of the member's contributions and this return of contributions shall be in lieu of any and all benefits to which the member might be entitled. The member will receive their accumulated contributions in one lump sum payment without interest.

With 15 or more years of creditable service, a member may elect to become entitled to an annual pension beginning at age 55 by leaving their contributions in the Retirement System.

Service Connected Death Benefit

Upon receipt of the proper proofs that the death of a member in service was the natural result of an event occurring within the performance of duty or of an occupational disease arising out of and in the course of the member's employment, there shall be paid to the member's eligible surviving spouse, or eligible child or children, the sum of $50,000. Eligible children are children under the age of 21 or over the age of 21 if mentally or physically incapacitated from wage earning. Amounts payable under this section shall not be subject to offset or reduction by amounts paid or payable under Workers' Compensation.

Retirement Board

The Retirement Board is composed of nine members, two of whom are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include at least one member of the Civilian Employees' Retirement System, at least one member retired from active service in the Police Retirement System, and at least one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Annual elections are held and board members are elected to serve for three-year terms.

The above summary is not intended to serve as a legal document or substitute for the law. In all circumstances the language of the actual text of the law and the policies adopted by the Retirement System Board will take precedence. Copies of sections 86.900 to 86.1280 of the Revised Statutes of Missouri, which govern the Police Retirement System of Kansas City, Missouri, are available on our web site at www.kcpers.org or upon request at the KCPERS Office.

Statistical Section

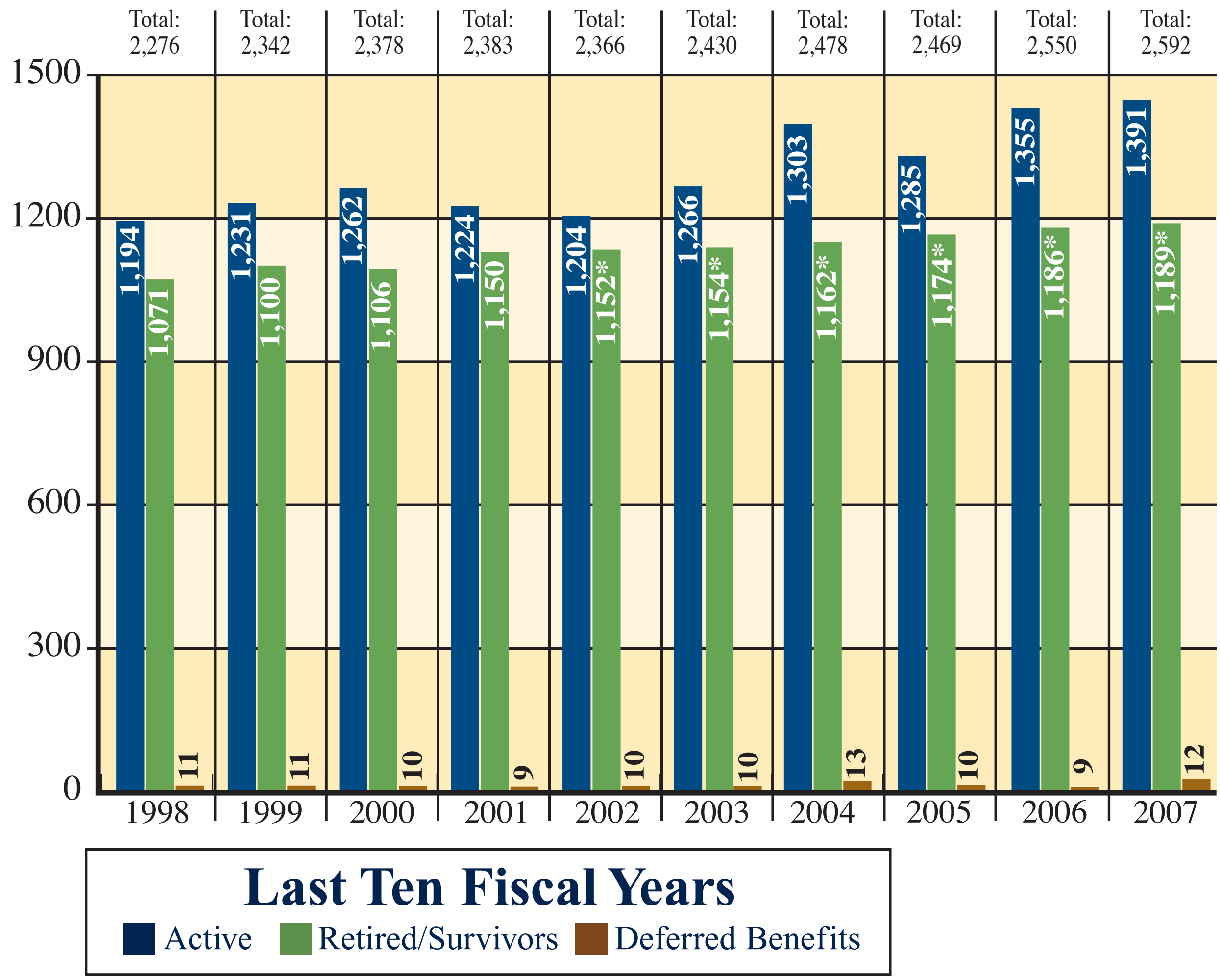
Statistical Summary

The Police Retirement System of Kansas City, Missouri has implemented the provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. GASB Statement No. 44 established reporting requirements related to the supplementary information presented in this section.

Each of the schedules in the statistical section contain ten years of historical data to provide more comprehensive comparisons and track the progress of changes to member demographics and plan benefits.

All of the member demographic and benefit data used in the statistical section was obtained from internal sources. Participant data is separated into active, retired/survivor, and deferred categories where appropriate. Retirement benefit data is separated into service retirement, duty disability retirement, and non-duty disability retirement categories where appropriate.

Membership in Retirement Plan



* Retired/Survivors figure does not count Qualified Domestic Relations Order (QDRO) recipients. Beginning in FY2002, the member and respective QDRO have been grouped together as one pension for reporting purposes.

Schedule of Changes in Plan Net Assets

Last Ten Fiscal Years

Fiscal Year	1998	1999	2000	2001	2002
Additions:					
Member Contributions	$4,634,862	$4,798,654	$5,026,229	$5,958,321	$6,158,020
Employer Contributions	9,978,462	10,318,583	10,789,963	11,392,871	11,312,754
Net Investment Income	110,442,587	54,275,670	49,989,356	(29,280,927)	(15,527,529)
Total Additions to Plan Net Assets	**125,055,911**	**69,392,907**	**65,805,548**	**(11,929,735)**	**1,943,245**
Deductions:					
Benefits	23,733,527	26,013,149	28,546,646	30,518,936	33,445,971
Refunds	473,417	607,373	437,931	514,571	1,075,649
Administrative	370,366	342,366	503,997	541,539	520,366
Total Deductions from Plan Net Assets	**24,577,310**	**26,962,888**	**29,488,574**	**31,575,046**	**35,041,986**
Change in Net Assets	**$100,478,601**	**$42,430,019**	**$36,316,974**	**$(43,504,781)**	**$(33,098,741)**
Employer % of Annual Covered Payroll	20.0%	19.9%	18.7%	19.8%	20.0%

Fiscal Year	2003	2004	2005	2006	2007
Additions:					
Member Contributions	$6,551,628	$6,972,986	$7,212,990	$7,472,503	$7,814,142
Employer Contributions	12,017,801	12,817,176	13,297,605	13,729,225	14,526,734
Net Investment Income	(41,377,601)	91,313,225	45,338,145	107,627,267	83,730,123
Total Additions to Plan Net Assets	**(22,808,172)**	**111,103,387**	**65,848,740**	**128,828,995**	**106,070,999**
Deductions:					
Benefits	34,880,077	36,061,330	37,754,187	39,443,788	42,293,180
Refunds	618,418	442,327	609,138	457,355	694,903
Administrative	476,575	478,498	470,866	495,613	515,720
Total Deductions from Plan Net Assets	**35,975,070**	**36,982,155**	**38,834,191**	**40,396,756**	**43,503,803**
Change in Net Assets	**$(58,783,242)**	**$74,121,232**	**$27,014,549**	**$88,432,239**	**$62,567,196**
Employer % of Annual Covered Payroll	19.3%	19.4%	19.7%	19.1%	18.1%

Schedule of Deductions from Plan Net Assets for Benefits and Refunds by Type*

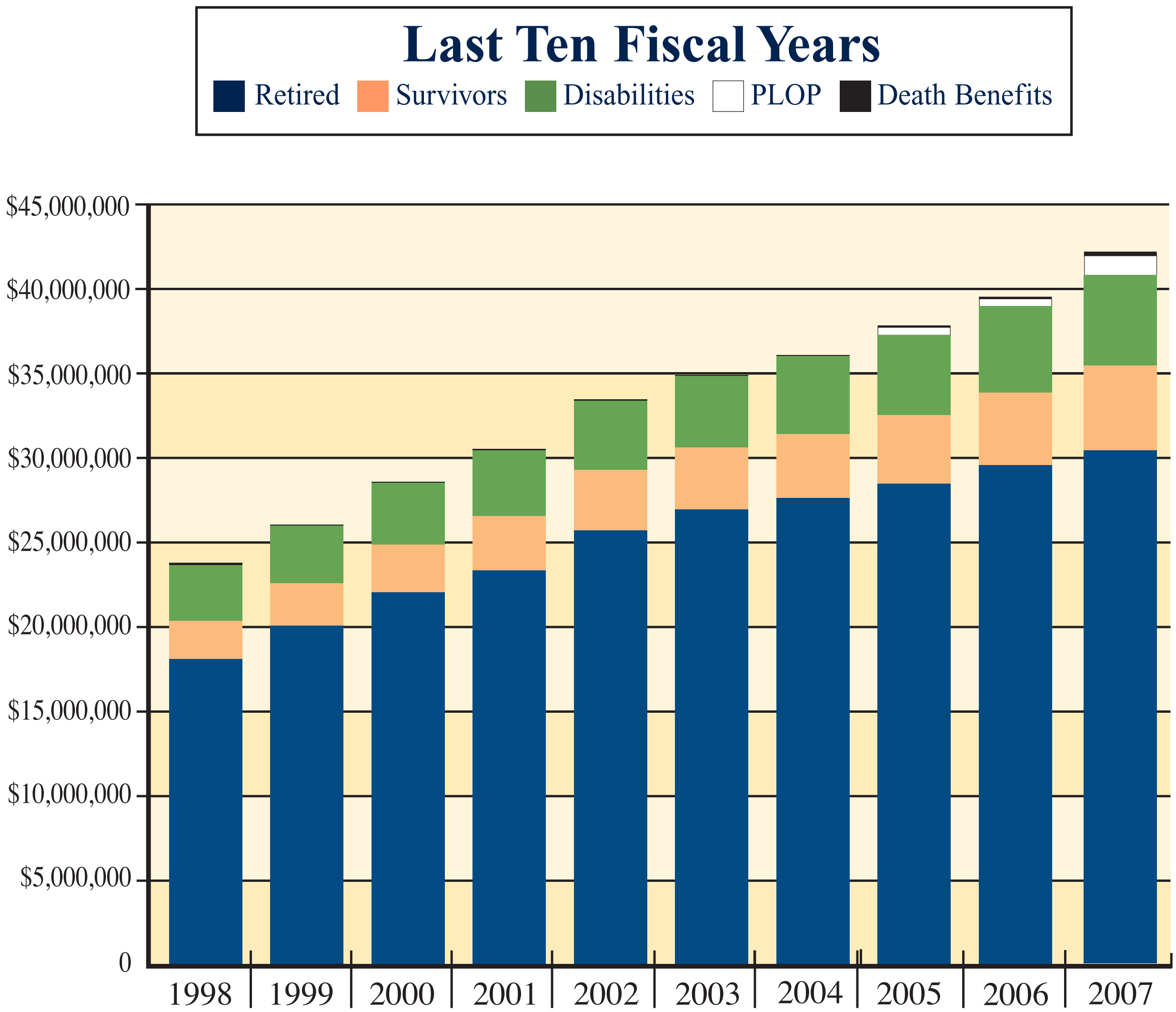
Last Ten Fiscal Years

Fiscal Year	1998	1999	2000	2001	2002
Type of Benefit:					
Retired	$18,084,986	$20,059,739	$22,035,152	$23,341,466	$25,703,780
Survivors	2,279,513	2,531,367	2,841,591	3,228,721	3,598,131
Disabilities	3,299,028	3,413,043	3,651,903	3,876,683	4,073,060
PLOP	—	—	—	—	—
Death Benefits	70,000	9,000	18,000	72,066	71,000
Total Benefits	**$23,733,527**	**$26,013,149**	**$28,546,646**	**$30,518,936**	**$33,445,971**
Type of Refund:					
Separation	$428,498	$607,373	$437,931	$514,571	$988,345
Death	44,919	—	—	—	87,304
Total Refunds	**$473,417**	**$607,373**	**$437,931**	**$514,571**	**$1,075,649**

Fiscal Year	2003	2004	2005	2006	2007
Type of Benefit:					
Retired	$26,955,355	$27,628,285	$28,488,160	$29,564,876	$30,657,765
Survivors	3,670,378	3,792,951	4,053,319	4,317,777	4,546,298
Disabilities	4,241,344	4,618,094	4,896,656	5,326,293	5,544,299
PLOP	—	—	303,052	219,842	1,522,818
Death Benefits	13,000	22,000	13,000	15,000	22,000
Total Benefits	**$34,880,077**	**$36,061,330**	**$37,754,187**	**$39,443,788**	**$42,293,180**
Type of Refund:					
Separation	$618,418	$363,931	$609,138	$457,355	$694,903
Death	—	78,396	—	—	—
Total Refunds	**$618,418**	**$442,327**	**$609,138**	**$457,355**	**$694,903**

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

Schedule of Deductions from Plan Net Assets for Benefits and Refunds by Type* (Continued)



*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

Schedule of Retired Members by Type of Benefit

April 30, 2007

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Retired	Surviving Spouses	Surviving Children	Duty Disability	Non-Duty Disability
$1 to 500	$2,419	19			19		
501 to 1,000	16,210	22	3	12	6		1
1,001 to 1,500	94,179	77	15	53	2	2	5
1,501 to 2,000	195,127	110	42	49	1	12	6
2,001 to 2,500	359,177	157	75	50		18	14
2,501 to 3,000	533,122	192	135	24		21	12
3,001 to 3,500	890,177	277	232	7		26	12
3,501 to 4,000	653,321	176	149	5		17	5
4,001 to 4,500	369,665	89	78	1		9	1
4,501 to 5,000	179,934	38	31	2		5	
Over 5,000	183,233	32	32				
Totals	**$3,476,564**	**1,189**	**792**	**203**	**28**	**110**	**56**

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

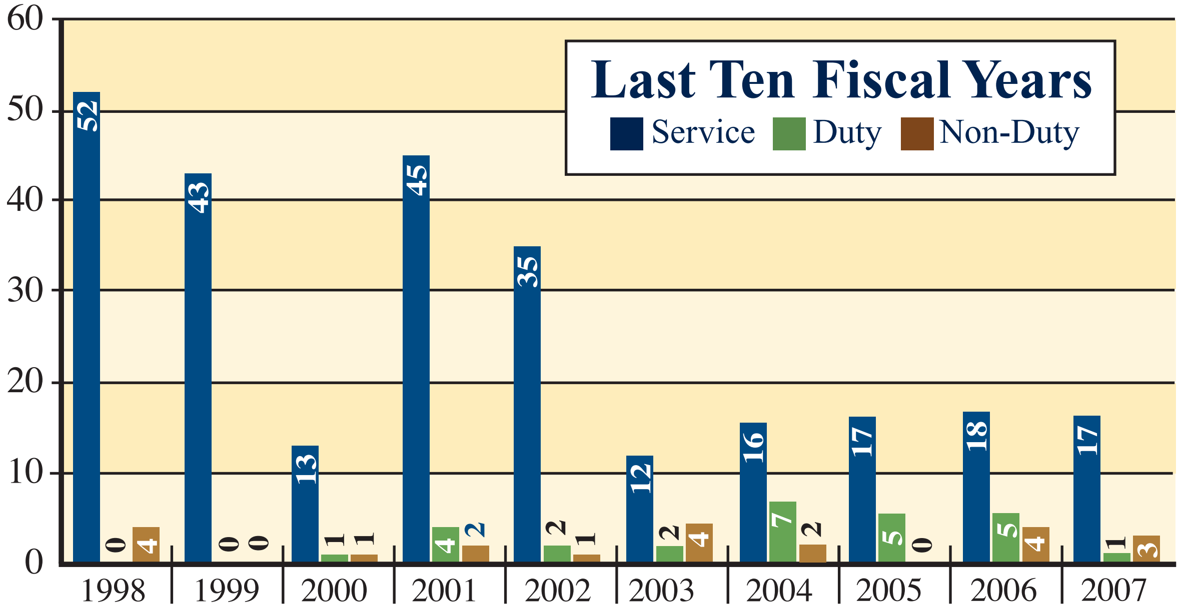
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2007

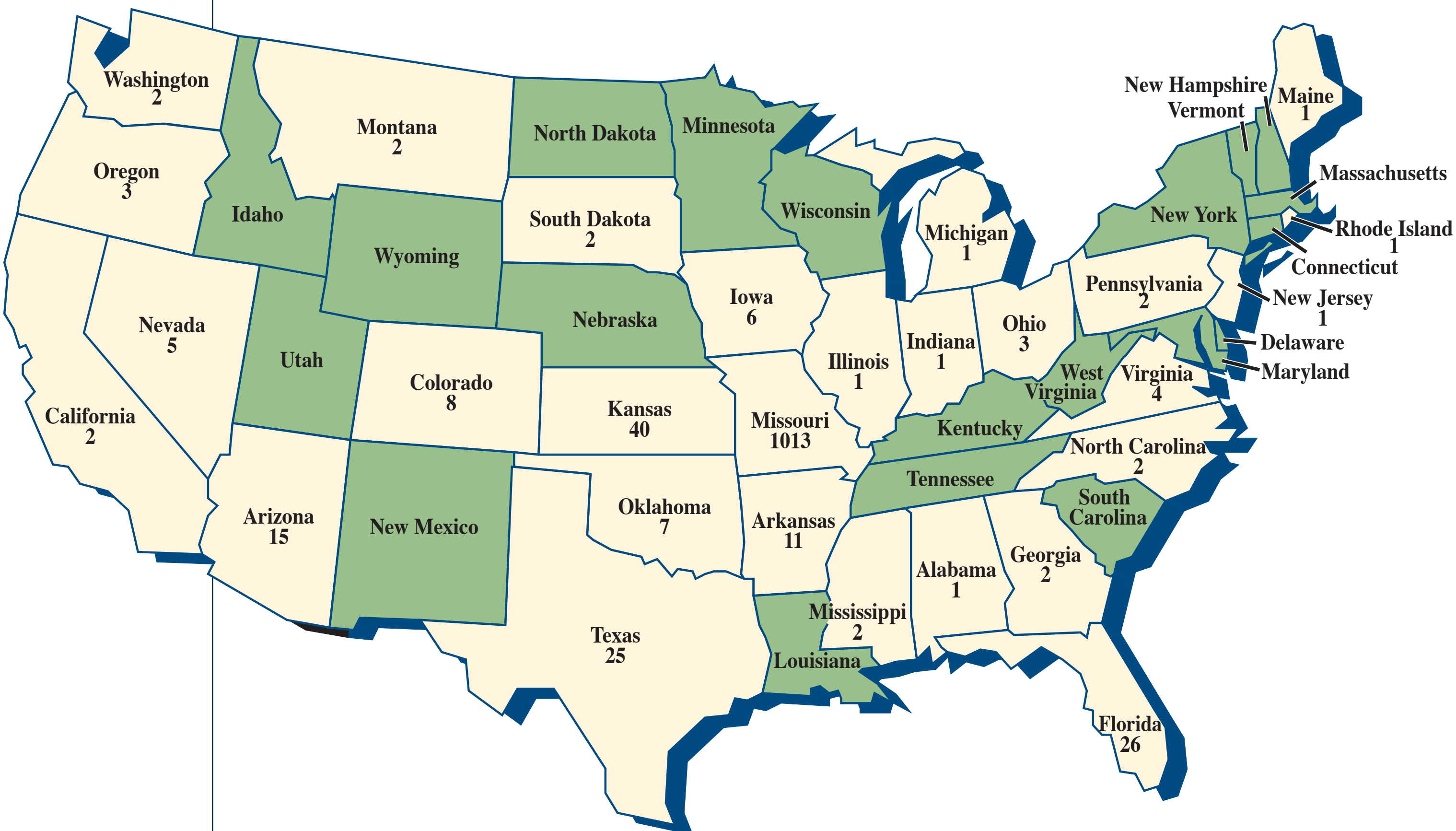
	Years Credited Service						
Members Retiring During	**<25**	**25–26**	**26–27**	**27–28**	**28–29**	**29–30**	**All Members**
Fiscal Year Ending 04/30/98							
Average monthly benefit	$934	2,222	2,423	2,619	2,609	2,826	2,407
Average final compensation	$3,447	4,387	4,594	4,813	4,541	4,785	4,530
Number of retirees	2	17	17	5	7	8	56
Fiscal Year Ending 04/30/99							
Average monthly benefit	$1,091	2,230	2,266	2,358	2,408	2,975	2,394
Average final compensation	$2,826	4,421	4,272	4,325	4,242	4,989	4,396
Number of retirees	2	8	7	13	4	9	43
Fiscal Year Ending 04/30/00							
Average monthly benefit	$2,514	2,117		2,676	2,704	2,664	2,568
Average final compensation	$5,199	4,093		4,875	4,776	4,444	4,743
Number of retirees	3	2		3	4	2	14
Fiscal Year Ending 04/30/01							
Average monthly benefit	$2,169	3,075	3,242	3,136	3,316	3,221	3,073
Average final compensation	$4,020	4,887	4,874	4,532	4,619	4,399	4,490
Number of retirees	7	7	3	2	10	22	51
Fiscal Year Ending 04/30/02							
Average monthly benefit	$2,486	2,802		4,437	3,539	3,429	3,118
Average final compensation	$4,538	4,462		6,402	5,002	4,603	4,653
Number of retirees	5	14		1	6	12	38
Fiscal Year Ending 04/30/03							
Average monthly benefit	$2,218	3,046	2,882		3,716	4,191	3,063
Average final compensation	$3,860	4,761	4,408		5,170	5,611	4,666
Number of retirees	4	7	3		1	3	18
Fiscal Year Ending 04/30/04							
Average monthly benefit	$2,689	3,015	3,584	4,915		4,122	3,206
Average final compensation	$4,225	4,786	5,394	7,182		5,550	4,853
Number of retirees	10	7	3	1		4	25
Fiscal Year Ending 04/30/05							
Average monthly benefit	$2,623	3,044	4,764	4,056	3,388	5,807	3,343
Average final compensation	$4,263	4,822	7,213	5,888	5,909	7,745	5,189
Number of retirees	8	7	1	2	2	2	22
Fiscal Year Ending 04/30/06							
Average monthly benefit	$2,975	3,767	3,602	3,187	3,272	2,829	3,356
Average final compensation	$4,947	5,932	5,566	4,685	4,633	4,669	5,331
Number of retirees	10	7	7	1	1	1	27
Fiscal Year Ending 04/30/07							
Average monthly benefit	$2,168	2,954	2,848		3,311	4,226	3,505
Average final compensation	$4,969	4,691	4,705		4,730	6,405	5,739
Number of retirees	5	2	1		1	12	21

*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

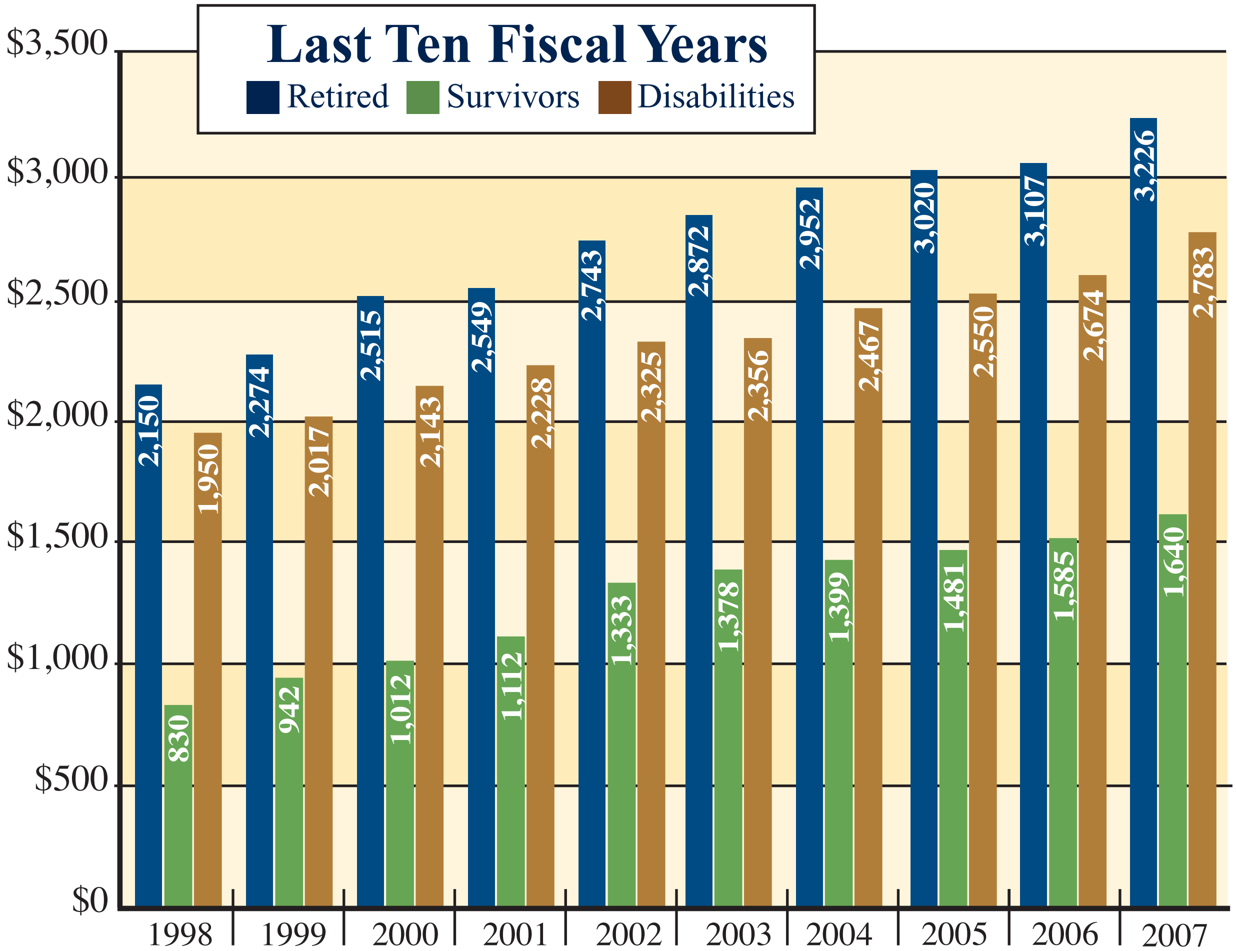
New Pensions Started



Retiree Distribution by State



Average Monthly Benefit*



* Benefit amounts include $420 supplemental benefit for eligible members

* Benefit amounts include cost of living adjustments

Cost of Living Increases

Ten Year History

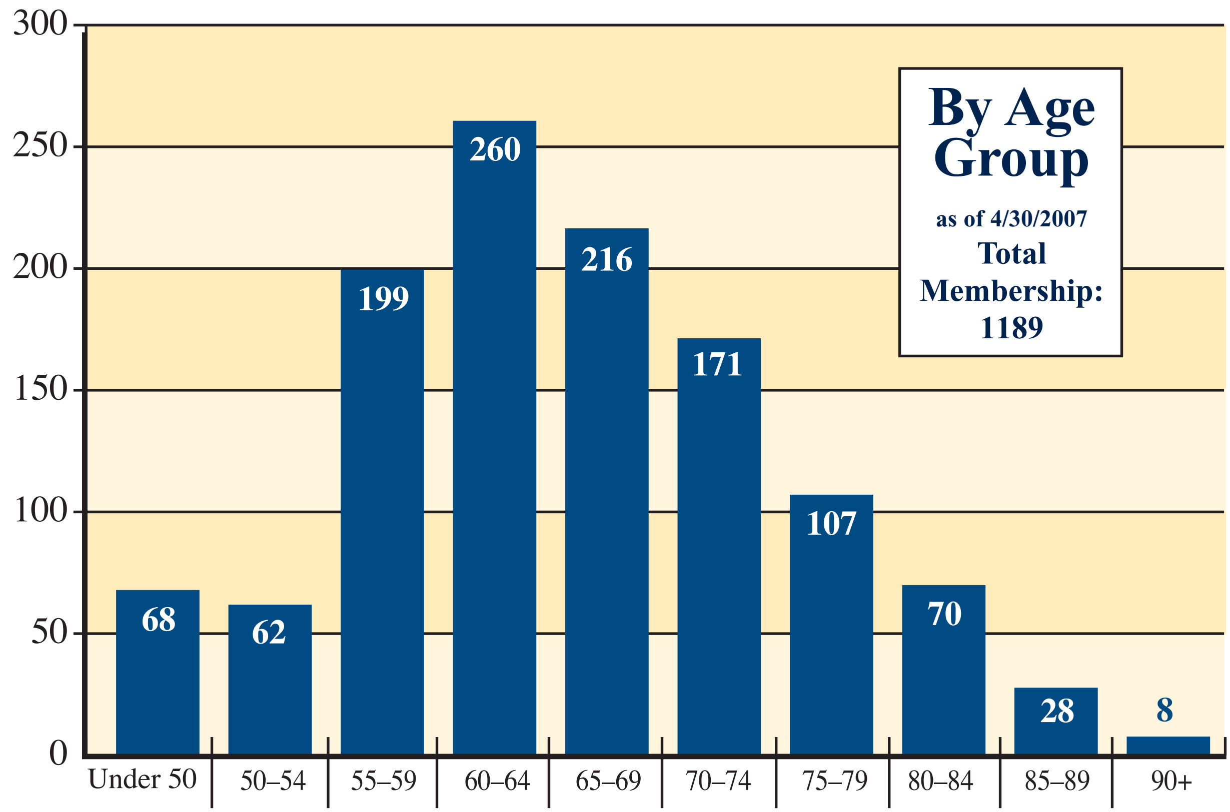
Fiscal Year	% Increase to Monthly Base Pension
1998	3.00%
1999	2.60%
2000	0.90%
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%

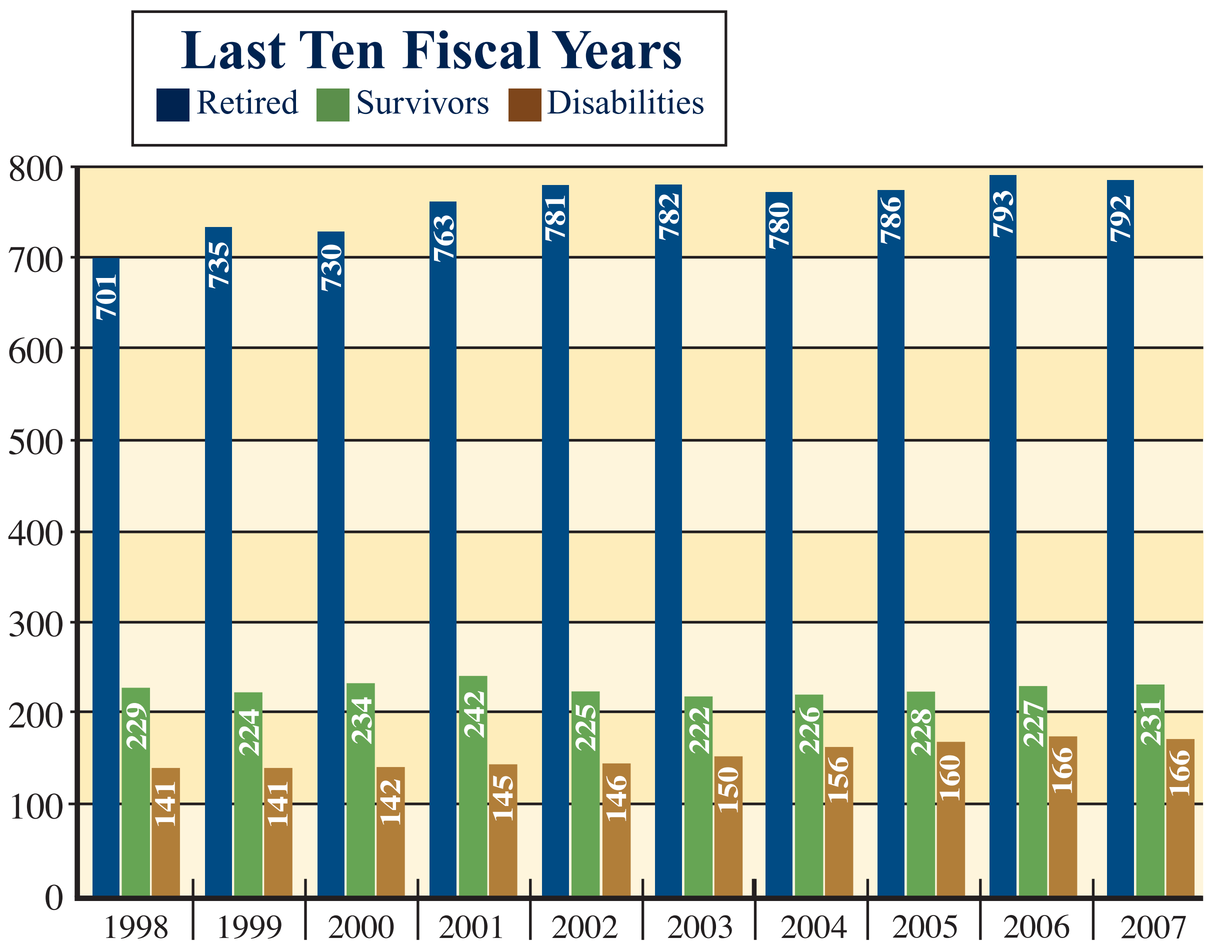
Supplemental Retirement Benefit

History of Increases

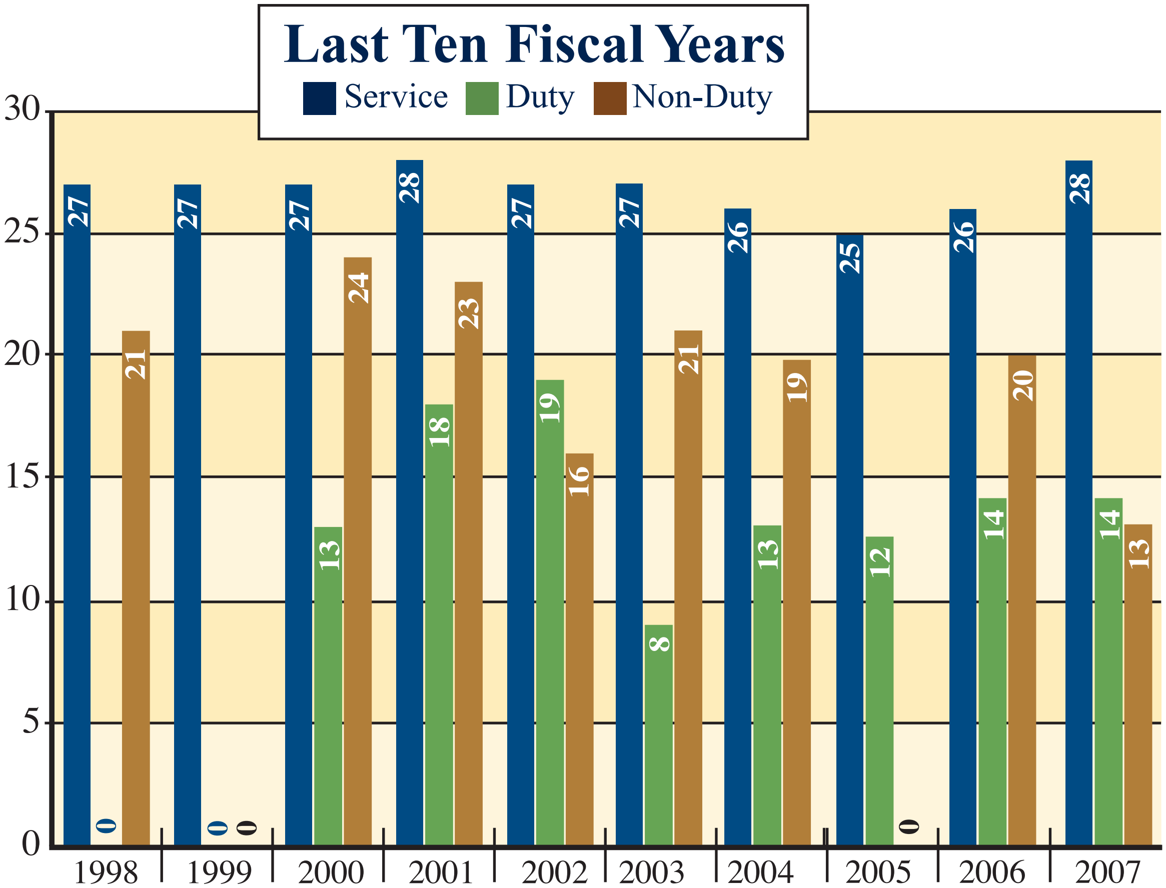
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

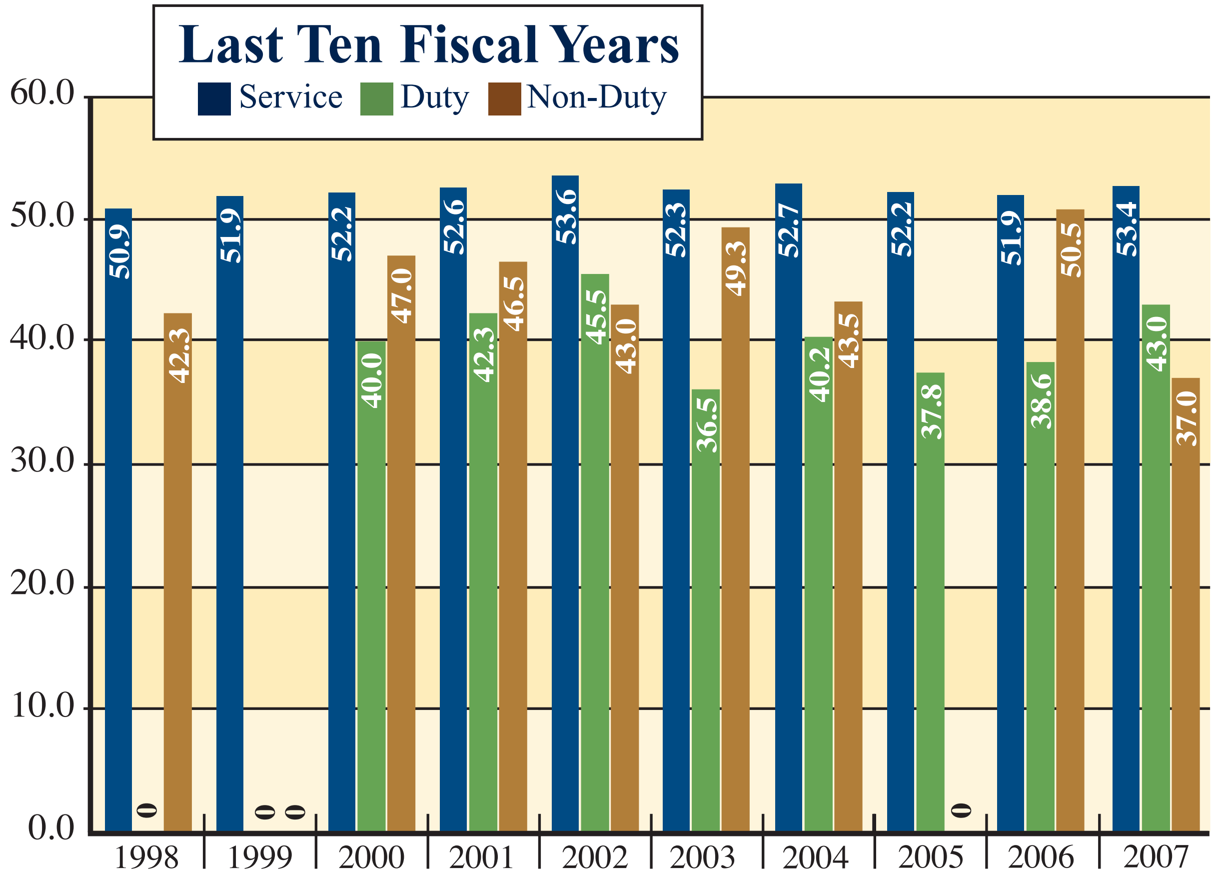




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2007

Service	**65.8**
(792 retired members ranging in age from 46 to 91)	
Duty Disability	**58**
(110 retired members ranging in age from 31 to 84)	
Non-Duty Disability	**58.9**
(56 retired members ranging in age from 36 to 81)	

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